

CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

**ANNUAL AUDITOR'S REPORT
ON
PHILADELPHIA CITY AGENCIES
FISCAL YEAR 2016**

City Controller
Alan Butkovitz



Promoting honest, efficient & fully accountable government



CITY OF PHILADELPHIA

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City Controller

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Deputy City Controller

October 23, 2017

Rob Dubow, Director of Finance
Office of the Director of Finance
Municipal Services Building, Room 1330
Philadelphia, PA 19102 - 1685

We have examined the financial affairs of the various agencies of the City of Philadelphia for fiscal year 2016 pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter. A synopsis of the results of our work is provided in the executive summary to the report. The conditions in this report for agencies marked with an asterisk occurred under the administration of a previous agency head.

We discussed our findings and recommendations with management of the city agencies during the course of the audit. You have elected to neither attend an exit conference nor provide a written response to the report. Our recommendations have been numbered to facilitate tracking and follow-up in subsequent years. We believe that, if implemented by management, these recommendations will improve internal controls and the operations of these agencies.

We would like to express our thanks to management and staff of the city agencies for the courtesy and cooperation displayed toward us during the conduct of our work.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Alan Butkovitz".

ALAN BUTKOVITZ
City Controller

cc: Honorable James F. Kenney, Mayor
Honorable Darrell L. Clarke, President
and Honorable Members of City Council
Members of the Mayor's Cabinet



ANNUAL EXAMINATION OF THE FINANCIAL AFFAIRS OF CITY AGENCIES FISCAL YEAR 2016

EXECUTIVE SUMMARY

Why The Controller's Office Conducted The Examination

Pursuant to the requirements of Section 6-400 (c) of the Philadelphia Home Rule Charter, we examined the financial affairs of Philadelphia's city agencies as part of our audit of the City of Philadelphia's basic financial statements. The focus of our examination was to determine if management of each agency had suitably designed and placed in operation internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditure activities.

What The Controller's Office Found

The Controller's Office again noted widespread deficiencies involving internal controls over payroll and other expenditure activities that the Office of the Finance Director needs to address with agency heads (see Appendix I). Highlights of the deficiencies include:

- American Express travel reimbursement vouchers did not indicate evidence of approval by the Office of Finance for either of the two monthly vouchers we tested totaling \$56,000. In addition, there were nineteen instances where forms were signed by a departmental employee not authorized to approve expenditures, and eighteen instances where the reason for the employee travel was missing or unclear.
- On-line payroll time records were not always reviewed to ensure separated employees are removed from active status on the on-line payroll system. Four former employees continued to be paid after their termination dates and were overpaid a combined total of \$5,500 from the Division of Housing and Community Development, the Police Department, and the Office of Human Resources.
- The city's sick leave policy was still not enforced in 33% of city agencies. Most notably in City Council, where its employees were not subject to the same sick abuse sanctions as their civil service counterparts. Five employees used in excess of twenty-two undocumented sick days, totaling over \$36,000 in paid sick leave. In addition, three Law Department employees used in excess of twenty undocumented sick days, totaling over \$10,000 in paid sick leave.
- Almost 31% of city agencies did not deposit long outstanding checks into the City of Philadelphia's Unclaimed Monies Fund, which increases the risk that unclaimed property would not be forwarded to the state in violation of the Commonwealth of Pennsylvania's Unclaimed Property Law.

Noteworthy of mentioning is one city agency, the Records Department, which took corrective action on its only prior year condition, and implemented our recommendation.

What The Controller's Office Recommends

The Controller's Office has developed a number of recommendations to address these findings. The recommendations can be found in the body of the report.

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INTRODUCTION

BACKGROUND

Organization of Philadelphia Government

The City of Philadelphia is primarily governed under the Philadelphia Home Rule Charter (Charter), which was adopted by the electors of the City of Philadelphia on April 17, 1951. The responsibility for the management of the city is vested in two branches – a legislative branch and an executive and administrative branch.

City Council is the legislative branch of city government. It consists of seventeen members; ten members are elected from councilmanic districts and seven from the city at large. The Charter gives City Council the power to enact legislation by ordinance, to appropriate funds to each city agency, and to make inquiries and investigations by way of resolution.

The mayor heads the executive and administrative branch of city government which includes all officers, departments, boards, and commissions. The mayor, who is the chief executive officer of the city, has a wide range of duties and responsibilities over all aspects of city operations. Those responsibilities are carried out primarily through the right to appoint and remove principal administrative officers, and by exercising control over expenditures. Five principal assistants help the mayor to formulate and carry out policy – the managing director (supervises the city's service department such as Police, Fire, Water, Health and Streets), the director of finance (supervises the budgeting, accounting, purchasing, and the billing and collecting for virtually all city revenues), the commerce director (oversees all economic development in the city), the city representative (the chief public relations officer), and the city solicitor (the city's legal advisor).

City government also consists of independent elective offices which were brought under the Charter by way of the city-county consolidation amendment to the state constitution. These former county offices are not under the direct control of the mayor but are subject to the city's centralized accounting controls and budgeting system.

The city's local courts are part of the state's unified judicial system. These courts, which comprise Pennsylvania's First Judicial District, are financed by the city. However, all court employees are outside the city's civil service system and their pay rates and working conditions are set by the courts.

Management

Agency heads and their deputies are responsible for the effective and efficient management of their agency's operations. The findings and recommendations section of this report includes a discussion of the functions of each city agency examined, the fiscal 2016 appropriations provided, the estimated revenues expected, and the number of civil service and exempt employees at the end of the fiscal year.

City Accounting System and Internal Controls

The Charter requires the director of finance to establish, maintain, and supervise an adequate and modern accounting system for the city. As such, the director of finance has been charged with the responsibility for developing an organized set of manual and computerized accounting methods, procedures, and controls, which have been established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data, including the city's Comprehensive Annual Financial Report.

A significant aspect of the accounting system is internal control. Internal control comprises the processes designed to (1) prevent or timely detect unauthorized acquisition, use, or disposition of assets, (2) ensure the reliability of financial reporting and (3) help make certain there is compliance with applicable laws and regulations.

Although the Charter places primary responsibility for establishing and maintaining internal controls with the director of finance, agency heads and managers all have a responsibility for ensuring that the controls established by the director of finance are in place and operating effectively so as to safeguard the financial resources that have been entrusted to them.

FINDINGS AND RECOMMENDATIONS

City of Philadelphia
City Council
Findings and Recommendations
Fiscal Year 2016

Functions

City Council is the legislative body of the Philadelphia city government responsible for legislating all municipal matters. It executes the legislative function by enacting and amending ordinances. Council enacts ordinances dealing with a wide scope of city matters, such as public health, public safety, zoning, budgeting, building and housing, and the regulation of business, trades, and professions. To aid in the performance of its legislative functions, Council conducts investigations and inquiries into those matters requiring its attention. These investigations are authorized by resolutions. Council's investigatory power is important since it is the principal means for the legislative body to check on the administrative operations. Council has 17 seats. Ten members are elected from each of the city's 10 Council districts and seven members are elected from the city at large. Council members serve a four-year term concurrent with the Mayor's. The Council elects a president from among its members. Council employees, with the exception of the Chief Clerk (who is selected by the entire Council) and the staff of the individual council members are appointed by the Council President.

Name and address of agency head
Honorable Darrell L. Clarke, President
City Council
Room 494, City Hall
Philadelphia, PA 19107

Appropriations:
General Fund \$41,725,293

Estimated Revenues: \$ -0-

Number of Full Time Employees:
Exempt 187

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Petty cash funds have been disbursed for unallowable purchases.</u> City Council disbursed \$127 for parking violations that were rejected for reimbursement by the city's Finance Office as an unallowable purchase. Parking violations are the responsibility of the employee. If the agency has reason to believe that the ticket was issued in error or that business-related mitigating circumstances exist, requests may be made to the Bureau of Administration Adjudication (BAA) for administrative review per the Managing Director's Directive 64: City Vehicle Usage, Assignment, Parking Policies and Procedures.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash and a shortage in the agency's petty cash fund.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [100116.01].</p>	<p>This disbursement occurred in February of 2014. It has been noted and staff has been made aware of such unallowable purchases.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<p><u>For the fifth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100111.01].</p>	<p>Each councilmember has the authority to implement a policy within their office for their staff with regards to lateness. The council president allows his employees to use vacation time when they are late.</p>
<p><u>For the fifth consecutive year, we are reporting the city sick leave policy was not enforced.</u> City Council still has not designed and implemented a sick leave policy for its staff, all of whom are classified as exempt employees. While Council's staff is not subject to the same policy enforced against civil service employees, we noted in calendar year 2015, that 75 of the 187 full-time City Council employees exceeded the eight-day limit on undocumented sick leave, as set forth in the city's policy for curbing sick-leave abuse. Five employees in particular, each of whom used 22 days or more undocumented sick days, received nearly \$37,000 in paid sick leave.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.</p>	<p>We continue to recommend that City Council design, implement and enforce a sick leave policy. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [100111.05].</p>	<p>Each councilmember has the authority to implement a policy within their office for their staff with regards to sick leave abuse. Council as a whole has implemented the following sick leave policy: Employees who are absent for three consecutive or more days due to illness or injury must submit a physician's statement authorizing their absence. Employees absent for 5 consecutive days are sent FMLA documentation for completion by their physician.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight petty cash bank and fund reconciliations tested during fiscal year 2015, we noted four bank reconciliations and three fund reconciliations were not prepared within thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100115.01].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash fund reconciliations have not been independently reviewed and approved.</u> Four of the seven fund reconciliations we reviewed had not been independently reviewed and approved.	Failure to review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.	Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [100115.02].	Implemented.
<u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the bank and fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the petty cash bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100115.03].	Implemented.
<u>Since our fiscal 2010 report, we have reported that documentation supporting and authorizing employee leave time was not routinely prepared.</u> City Council's decision not to require formal employee requests for compensated absences is contrary to most other city departments. In our opinion, requiring employees to formally submit leave requests assists management in workforce performance and aids in the proper recording of employee leave time.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performances.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100110.01].	We continue to believe that City Council should require employees to formally submit leave request forms for supervisory review and approval. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor City Council's employees for potential misclassified leave balances.

City of Philadelphia
Office of Innovation and Technology
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of Innovation and Technology (OIT) was established on August 22, 2011 by executive order of the mayor. OIT oversees all major information and communications technology initiatives for the City of Philadelphia. OIT responsibilities include: identifying the most effective approach for implementing new information technology directions throughout city government; improving the value of the city's technology assets and the return on the city's technology investments; ensuring data security continuity; planning for continuing operations in the event of disruption of information technology or communications services; and supporting accountable, efficient and effective government across every city department, board, commission and agency. A chief innovation officer, appointed by the mayor, heads the agency.

Name and address of agency head

Charles J Brennan, Chief Technology Officer
Office of Innovation and Technology
1234 Market Street, Suite 1850
Philadelphia, PA 19107

Appropriations:

General Fund	\$ 83,882,462
Water Fund	22,996,936
Grants Revenue Fund	45,670,534
Aviation Fund	9,620,048
Capital Fund	68,075,000
Total Appropriations	<u>\$230,244,980</u>

Estimated Revenues:

Non-Tax Revenue	\$ 67,680,000
From Other Governments	968,000
From Other Funds	<u>44,703,000</u>
Total Estimated Revenues	<u>\$113,351,000</u>

Number of Full Time Employees:

Civil Service	145
Exempt	<u>215</u>
Total employees	<u>360</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for four of the eight civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [100415.01].</p>	<p>OIT continues to improve the employee evaluation process and in the most recent reporting year. The goal continues to be 100%.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Since our fiscal 2010 report, we have reported that OIT has not established and communicated to its employees a formal lateness policy.</u> OIT management's decision not to define the consequences of lateness or establish specific sanctions for repeated lateness violations is contrary to most other city agencies. In our opinion, creating a formal policy proactively guides management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Revise the lateness policy to define the consequences of lateness and the progressive sanctions for violations of the policy [100410.02].	We continue to believe that OIT should implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by any of the five employees tested.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100410.06].	Implemented.

City of Philadelphia
Office of the Mayor*
Findings and Recommendations
Fiscal Year 2016

Functions

The mayor is the chief executive officer of the City of Philadelphia and, as such, he is the principal policymaker, administrator, political leader, community leader, and law enforcement official of the city, as well as its ceremonial head. The mayor is elected for four years and can serve two consecutive terms. To carry out the many duties and responsibilities as chief executive officer, the Home Rule Charter grants the mayor authority to appoint five principal assistants - the managing director, the director of finance, the city representative, the director of commerce, and the city solicitor. Each of these officials has a separate staff and each conducts his or her operations through a distinct agency having its own budget. In addition to these five officials, the mayor also makes appointments to a variety of boards and commissions charged with conducting or overseeing city operations. The Mayor's Office comprises the mayor's personal staff as well as several commissions established to aid special-needs residents, such as the aged, the disabled, and various minorities. The fiscal 2016 appropriations for the Office of the Mayor, Mayor's Office of Labor Relations, Mayor's Office of Transportation and Utilities, Office of Sustainability, Mayor's Office of Mural Arts Program, and the Office of Arts and Culture were combined for reporting purposes.

Name and address of agency head
Honorable James F. Kenney, Mayor
Office of the Mayor
City Hall, Room 215
Philadelphia, PA 19107

Appropriations:

General Fund	\$13,192,559
Water Fund	232,424
Grants Revenue Fund	3,652,530
Aviation Fund	<u>285,172</u>
Total Appropriations	<u>\$17,362,685</u>

Estimated Revenues:

Non-Tax Revenue	\$ 753,000
From Other Governments	<u>2,903,000</u>
Total Estimated Revenues	<u>\$3,656,000</u>

Number of Full Time Employees:

Civil Service	1
Exempt	<u>98</u>
Total employees	<u>99</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Petty Cash fund was commingled with another fund.</u> During our review of the agency's petty cash fund, we noted that a check intended for the Services to the Aging petty cash account, totaling \$122.63, was erroneously deposited to the Senior Services Account.	Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [100516.01].	The petty cash accounts were consolidated into one account for the same commission and purpose in 2013. The Services to the Aging accounts closed with the bank in August 2013. The city was notified in accordance with standard accounting procedures. The \$122.63 balance of that account had previously been appropriately deposited into the remaining account.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the general and the senior services division's petty cash funds, dating back to 2009, totaling \$135.99, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2., requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [100516.02].	We have corrected this issue. Stop payments were put on all outstanding checks, and in this case checks were reissued. A system has been put in place so that we are aware of exactly how long a check has been outstanding and can take corrective action immediately.
<u>A petty cash account was not properly closed.</u> During our review of the Services to the Aging's petty cash fund, we noted that authorized funds in the amount of \$150, are nonexistent.	Failure to properly terminate a petty cash fund creates opportunities for improprieties to occur and increases the risk of misappropriation of the funds.	Management should properly terminate the petty cash fund in accordance with the standard accounting procedures of the city's Finance Office utilizing Exhibit A of S.A.P 4.1.1.d and monitor the progress of the request [100516.03].	The Aging petty cash accounts were combined in 2013. From the smaller account, \$27.63 was spent in August 2013 and later a check for \$122.63 was previously deposited into the larger petty cash account. The smaller account was properly closed in accordance with standard accounting procedures. The larger petty cash account remains open.
<u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash funds, we noted that the petty cash custodian for the General petty cash account prepared all seven of the bank and fund reconciliations tested and reviewed four of them. Additionally, the petty cash custodian for the Senior Services account reviewed all eight of the bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare and review the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [100515.01].	Due to staffing limitations, it is not possible to segregate the duties of the fund and bank reconciliations. We have assigned someone other than the custodian to write checks so that the custodian is only responsible for the reconciliations. Additionally, we have someone other than the custodian who reviews and signs off on the reconciliations after they are completed.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the seven petty cash bank and fund reconciliations tested during fiscal year 2016, we noted six bank and fund reconciliations were not prepared within thirty days after the end of the month.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100515.02].	The Mayor's Office has corrected this issue. We now do the reconciliations on a monthly basis.
PERSONAL SERVICES <u>Employee overtime was not properly authorized.</u> We noted that seven of twenty-five overtime requests for the Mural Arts Program lacked appropriate supervisory approval. Four of these seven requests lacked supervisory approval. We also noted that on three occasions an employee approved his own overtime.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [100516.04].	Employee overtime must be approved by supervisory personnel. We recognize the finding and will work to improve documentation of future overtime approvals.
<u>Payroll data entries were not always checked.</u> We noted that employee attendance records did not correspond to the on-line payroll records for one of the two employees we tested for the Mayor's Office of Sustainability.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [100516.05]	All HR functions related to the Office of Sustainability in FY16 were handled by the Managing Director's Office's HR staff. Payroll responsibilities have been properly delineated amongst the four members of the MDO HR staff, with someone independent of payroll preparation spot-check data entries.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll attendance records were still not properly authorized by supervisory personnel.</u> In our review of the Mayor's Office attendance records, we noted that:</p> <ul style="list-style-type: none">attendance records, verifying the accuracy and approval of hours worked during a sample two-week pay period could not be located for two of the three employees tested.there was no supervisory signature indicating approval of the individual employee bi-weekly attendance records for one of the three employees tested.An employee in the Mural Arts Program approved his own attendance records.	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [100513.01]. Additionally, the payroll unit should be required to review the daily attendance records for evidence that the appropriate approval was obtained [100513.02].</p>	<p>During the transition of administrations, some of the Mayor's Office documentation was lost. We now have systems in place so this will not happen by keeping paper as well as electronic copies. Additionally, we are beginning the process of being able to enter our time in Oracle which will eliminate this issue.</p>
<p><u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The Mayor's Office was unable to provide formally approved leave requests for fourteen of the forty-five dates selected for testing and the Mural Arts Program was unable to provide leave requests for two of the ten dates tested. We also noted that on two occasions an employee in the Mural Arts Program approved his own leave time.</p>	<p>Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.</p>	<p>Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100512.01].</p>	<p>Documentation was lost during the Mayoral transition. We now have in place a system where everyone must e-mail their supervisor as well as the Chief of Staff's Office if they are going to be out. A calendar is kept of who is out of the office and the timesheets are routinely compared to the calendar to ensure they match. Mural Arts employee leave requests are reviewed and approved by supervisory personnel. Mural Arts will review the protocols with staff to improve compliance and ensure consistent documentation going forward.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response																								
<p><u>For the fourth consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> In our review of twenty pay periods during fiscal year 2016, we noted that the Mayor's Office and certain agencies under the Mayor's Office, failed to segregate bi-weekly payroll duties. Table 1 shows the number of pay periods where the duties were not segregated:</p> <p>Table 1: Segregation of Duties Exceptions</p> <table> <tr> <th colspan="4">Number of Occurrences</th></tr> <tr> <th>City agency</th><th>Data Entry and Supervisory Review</th><th>Supervisory Review and Executive Approval</th><th>Performing all three functions</th></tr> <tr> <td>Mayor's Office</td><td>4</td><td>0</td><td>9</td></tr> <tr> <td>Office of Labor Relations</td><td>5</td><td>0</td><td>0</td></tr> <tr> <td>Office of Arts & Culture</td><td>4</td><td>0</td><td>9</td></tr> <tr> <td>Office of Transportation & Utilities</td><td>0</td><td>0</td><td>20</td></tr> </table> <p>Source: Prepared by the Office of Controller</p>	Number of Occurrences				City agency	Data Entry and Supervisory Review	Supervisory Review and Executive Approval	Performing all three functions	Mayor's Office	4	0	9	Office of Labor Relations	5	0	0	Office of Arts & Culture	4	0	9	Office of Transportation & Utilities	0	0	20	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [100512.02].</p>	<p>We will correct this.</p>
Number of Occurrences																											
City agency	Data Entry and Supervisory Review	Supervisory Review and Executive Approval	Performing all three functions																								
Mayor's Office	4	0	9																								
Office of Labor Relations	5	0	0																								
Office of Arts & Culture	4	0	9																								
Office of Transportation & Utilities	0	0	20																								

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Since our fiscal 2010 report, we have reported that the Mayor's Office has not established and communicated to its employees a formal lateness policy.</u> The Mayor's Office management's decision not to define the consequences of lateness or establish specific sanctions for repeated lateness violations is contrary to most other city agencies. In our opinion, creating a formal policy proactively guides management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Revise the lateness policy to define the consequences of lateness and the progressive sanctions for violations of the policy [100510.01].	We continue to believe that the Mayor's Office should implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.

City of Philadelphia
Division of Housing and Community Development*
Findings and Recommendations
Fiscal Year 2016

Functions

The Division of Housing and Community Development (DHCD) was created in 1974 to develop comprehensive strategies and programs for creating viable urban neighborhoods. The agency accomplishes its mission through the coordination of programs for housing, economic development, site improvements, and community planning. Designed to benefit low and moderate income Philadelphians, these programs are funded annually through the federal government's Community Development Block Grant. DHCD's responsibilities include: the administration of contracts with public agencies, such as the Redevelopment Authority, Philadelphia Housing Development Corporation, and sub-recipient non-profit organizations; and the preparation of various government reports, such as the Grantee Performance Report and, most importantly, the annual Final Statement and Plan Report, which represents the DHCD's plan and corresponding budget for community development activities. A director, appointed by the mayor, and two deputy directors manage the agency.

Name and address of agency head

Frederick Purnell, Sr., Director
Division of Housing and Community Development
1234 Market Street, 17th Floor
Philadelphia, PA 19107

Appropriations:

General Fund	\$ 3,590,000
Grants Revenue Fund	128,117,000
Community Development Fund	59,570,284
Housing Trust Fund	<u>24,500,000</u>
Total Appropriations	<u>\$215,777,284</u>

Estimated Revenues:

Non-Tax Revenues	\$ 1,750,000
From Other Governments	<u>205,938,000</u>
Total Estimated Revenues	<u>\$207,688,000</u>

Number of Full Time Employees:

Civil Service	1
Exempt	<u>47</u>
Total employees	<u>48</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payments of \$228 made to a separated employee for time not worked were unrecovered by the agency.</u> Our testing revealed a separated employee remained on the city's payroll for two days after her termination date. The department was made aware of this and chose not to recapture the overpaid amount from the employee.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing bi-weekly payroll.</p>	<p>Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment of wages to the separated employee [100616.01]. Additionally, management should require that employees assigned to approve the bi-weekly payroll spot check the appropriateness of payroll data entries to ensure that the payroll time records accurately reflect the status of all separated employees [100616.02].</p>	<p>The department acknowledges the oversight. Additional safeguards will be implemented to ensure that thorough reviews are conducted when employees are separated from payroll.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Payroll attendance records were not authorized by appropriate supervisory personnel.</u> In our review of 80 daily attendance records, we noted that:</p> <ul style="list-style-type: none"> • 11 records (13.8%) were approved by supervisors on days that they were not present. • 7 records (8.8%) showed the supervisor approving his/her own time. • 1 attendance record was not approved at all. 	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [100616.03]. Additionally, someone at a higher level than the employees listed on the daily attendance record should review and formally approve them [100616.04].</p>	<p>Effective immediately supervisors will be reminded that they must only approve daily attendance records on the days they are present. A list of primary and secondary approvers for each employee will be generated and communicated to all staff.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Since our fiscal 2010 report, we have reported that DHCD has not established and communicated to its employees a formal lateness policy.</u> DHCD management's decision not to establish such a policy is contrary to most other city agencies. In our opinion, creating a formal policy proactively guides management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [100610.02].</p>	<p>We continue to believe that DHCD should compile, issue, and implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.</p>

City of Philadelphia
Mayor's Office of Community Empowerment and Opportunity*
Findings and Recommendations
Fiscal Year 2016

Functions

The Mayor's Office of Community Empowerment and Opportunity (CEO), was established on January 15, 2013 by executive order of the mayor. The CEO's function is to implement and administer the City of Philadelphia's anti-poverty program. The CEO delivers services to individuals and families living in poverty, with a goal of helping them achieve self-sufficiency. The CEO directly provides or supports with grants the following programs and services: the Community Engagement Unit facilitates and supports a range of activities designed to strengthen families and communities, and carries out mayoral initiatives by providing city residents with referrals to emergency services and other facilities to meet their needs; the Fatherhood Initiative Program offers non-custodial fathers workshops designed to identify what their children need in a father; the Foster Grandparent Program utilizes older adults by mobilizing them to serve in local schools and community based organizations; and the Work Wise Program provides job readiness classes and job placement for low income individuals who are referred by the County Assistance Office. The CEO oversight board serves to hold the CEO accountable for meeting key targets in support of the city's anti-poverty goals. The oversight board is composed of no fewer than 15 members and no more than 27, appointed by the Mayor. The membership shall consist of elected officials, city departments, community stakeholders, advocates, business, academic, and foundation leadership, along with representatives of low-income communities and individuals. An executive director, appointed by the mayor, oversees the day to day operations of the CEO.

Name and address of agency head

Mitchell Little
Executive Director
Mayor's Office of Community Empowerment and Opportunity
1234 Market Street, 16th Floor
Philadelphia, PA 19107

Appropriations:

General Fund	\$ 605,000
Grants Revenue Fund	<u>15,924,390</u>
Total Appropriations	<u>\$16,529,390</u>

Estimated Revenues:

Non-Tax Revenues	\$ 244,000
From Other Governments	<u>15,681,000</u>
Total Estimated Revenues	<u>\$15,925,000</u>

Number of Full Time Employees:

Exempt	<u>34</u>
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Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Monthly petty cash bank reconciliations have not been independently reviewed and approved.</u> All seven of the bank reconciliations we tested lacked evidence that they were reviewed and approved.	Failure to review and approve monthly reconciliations, increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Monthly petty cash bank reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the bank reconciliation in accordance with standard accounting procedures of the city's Finance Office [100816.01].	The department was not aware that the petty cash bank reconciliation form being used was not current. The current bank reconciliation form provides a section for a dated signature of an authorized CEO fiscal staff. The correct petty cash bank reconciliation form is now being used and reviewed on a monthly basis.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the seven petty cash bank and fund reconciliations tested during fiscal year 2016, we noted four bank reconciliations and four fund reconciliations were not prepared within thirty days after the end of the month.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [100815.01].	The CEO Fiscal Department now prepares and submits monthly petty cash and fund reconciliation forms to the Finance Department to adhere to the City's Standard Accounting Procedures (SAP).
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal approved leave requests for three of the eight employees selected for testing. On one occasion, an employee was not charged leave time when vacation time was taken.	Failure to obtain formal leave requests resulted in the failure of the agency recognizing leave time taken and an inaccurate paid-leave balance for the employee. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [100815.02].	Implemented.
<u>Certain payroll preparation duties were not adequately segregated.</u> The person posting payroll to the on-line payroll system was also the same person obtaining the paychecks/stubs from the Treasurer's Office and distributing the paychecks to employees.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Someone independent of payroll preparation should obtain the paychecks/stubs from the Treasurer's Office and distribute paychecks [100815.03].	Implemented.

City of Philadelphia
Office of the Managing Director*
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the Managing Director (MDO) oversees, supports, and assists the city's thirteen operating departments to ensure the efficient and effective provision of city services. Additionally, the Managing Director's Office is involved with a number of other activities that include the following: coordinating inter-departmental responsibilities and ensuring accountability for the provision of services; reviewing, revising, and updating the city's emergency operations plan to meet federal and state requirements; coordinating, evaluating, and reporting on emergency response management exercises involving departmental, commercial, private, and volunteer services; developing the chemical emergency response plan required by the Emergency Planning and Community Right-To-Know Act; coordinating grant management services for criminal justice agencies, and managing pertinent research, planning and development for criminal justice projects; managing the justice facilities and system improvement programs; optimizing costs and minimizing the use of energy at city facilities; and advising the police commissioner for the purpose of improving performance and improving community relations. The managing director is appointed by the mayor.

Name and address of agency head

Michael DiBerardinis, Managing Director
Office of the Managing Director
1430 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 78,754,674
Grants Revenue Fund	6,268,585
Capital Fund	<u>21,783,000</u>
Total Appropriations	<u>\$106,806,259</u>

Estimated Revenues:

Non-Tax Revenue	\$ 677,000
From Other Governments	<u>6,294,000</u>
Total Estimated Revenues	<u>\$6,971,000</u>

Number of Full Time Employees:

Civil Service	54
Exempt	<u>350</u>
Total Employees	<u>404</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Employee travel expenses over \$100 were disbursed from petty cash.</u> The agency reimbursed employees for travel expenditures above the authorized limit on three occasions for a total of \$866. Travel Reimbursement Limits specified in Standard Accounting Procedure 4.1.1.d (Rev. 1) states that reimbursements to employees for travel expenses previously incurred are allowable out of petty cash up to \$100 within the allowable expenditure classes. If the expenses incurred by an employee exceed \$100, the employee shall not receive any reimbursement through petty cash but may be reimbursed using the employee reimbursement form.</p>	<p>Petty cash funds were used for unallowable expenditures. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>Management should reimburse employees for travel expenses through petty cash only if the total reimbursement is under \$100 in accordance with standard accounting procedures of the city's Finance Office [101016.01].</p>	<p>The MDO will only reimburse employees for travel expenses where they are under \$100. Travel related expenses above this amount will be reimbursed via the employee reimbursement form.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Unexplained adjustments were made to the agency's accounting records.</u> The agency made several adjustments to their petty cash checkbook balance and was unable to explain the reasons for the adjustments or provide any supporting documentation.	The unsupported adjustments to the checkbook resulted in an overage in agency's petty cash fund totaling \$1,956.65.	Management should ensure that all entries to the checkbook balance can be explained and properly supported. In addition, management should reverse all the unsupported entries to their accounting records that caused the overage in their petty cash fund balance [101016.02].	The unsupported entry has been corrected and the MDO's checkbook no longer reports the aforementioned overage. All entries will have proper supporting documentation.
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the seven petty cash bank and fund reconciliations tested during fiscal year 2016, we noted that five bank and fund reconciliations were prepared over thirty days after the end of the month.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be properly accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101015.01].	Monthly bank and fund reconciliations will be submitted on time, in accordance with the relevant city standard accounting procedure.
<u>Petty cash funds have been disbursed for unallowable purchases.</u> The agency disbursed \$41 for a parking violation that was rejected for reimbursement by the city's Finance Office as an unallowable purchase. Parking violations are the responsibility of the employee. If the department has reason to believe that the ticket was issued in error or that business-related mitigating circumstances exist, requests may be made to the Bureau of Administration Adjudication (BAA) for administrative review per the Managing Director's Directive 64: City Vehicle Usage, Assignment, Parking Policies and Procedures. Additionally, the MDO purchased Comcast cable television services through petty cash that should have been paid for with a direct purchase authorization from the Office of Information and Technology.	Petty cash funds were used for unallowable expenditures.	We recommend that management review the city's petty cash accounting procedures and refrain from approving petty cash expenditures for unallowable purchases [101015.03].	The MDO will ensure that petty cash funds are not disbursed for unallowable costs such as parking tickets or otherwise, in accordance with the city's petty cash accounting procedures.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$1,962.30, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more shall be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101015.04].	The MDO has placed a stop payment on these checks, and submitted a transfer check to the City's Unclaimed Monies Fund in accordance with the relevant standard accounting procedure. We will follow this procedure for any future checks that exceed one year without deposit
REVENUE <u>Duties for preparing, recording and reconciling revenue receipts were not adequately segregated.</u> During our review of the agency's revenue receipts, we noted that only one employee was responsible for preparing collected amounts for deposit, recording receipt activity in agency kept accounting records, and reconciling deposits.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign an individual other than the person receiving payments to record the receipts in the agency's accounting records [101016.03].	The MDO's administrative services director receives checks, and the administrative services assistant records receipts in the agency's accounting records.
<u>Revenue receipts are not deposited in a timely manner.</u> Of the five revenue receipts tested during fiscal year 2016, we noted that three of the receipts, totaling \$77,453.98 were deposited over twenty days after the payment was received.	Untimely deposits of revenue receipts results in lost interest income to the city and increases the risk of misappropriation.	Management should minimize the length of time it takes to make a deposit with the city's Department of Revenue [101016.04].	The MDO will ensure checks are deposited in a timely manner moving forward.
PERSONAL SERVICES <u>The agency's lateness policy still did not clearly establish progressive sanctions for violations of the policy.</u> Although the Managing Director's Office has a lateness policy, the policy does not establish specific sanctions for repeated violations.	By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [101012.01].	The MDO will explore revising its lateness policy specific to sanctions, in coordination with the Office of Human Resources.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Duties for preparing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the bank and fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the petty cash bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101015.02].	Implemented.
<u>City sick leave policy was not enforced.</u> Two of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency did not issue the required fifth-day warning letter to two employees, and the eighth-day notification letter informing one of the employees they were being placed on the excessive use of sick leave list.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101013.01].	Implemented.
<u>Documentation supporting personnel time in the field was still incomplete.</u> When employees worked in a field location, management does not require that they complete a field destination sheet that would provide information on the employee's location, as well as a telephone number in the event that they must be contacted.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [101013.02].	Implemented.

City of Philadelphia
Police Department*
Findings and Recommendations
Fiscal Year 2016

Functions

The Police Department was established by the Philadelphia Home Rule Charter to serve as the city's chief law enforcement agency. The department has the responsibility for preserving public peace, preventing and detecting crime, policing streets and highways, and aiding in the administration and enforcement of state laws and city ordinances within the City of Philadelphia. The department is headed by a Police Commissioner, appointed by the Managing Director with the approval of the Mayor.

Name and address of agency head

Richard Ross Jr., Commissioner
Police Department
314 Police Headquarters
8th and Race Streets
Philadelphia, PA 19106

Appropriations:

General Fund	\$643,009,937
Grants Revenue Fund	26,929,241
Aviation Fund	15,782,387
Capital Fund	<u>23,691,000</u>
Total Appropriations	<u>\$709,412,565</u>

Estimated Revenues:

Non-Tax Revenue	\$ 4,270,000
From Other Governments	<u>27,004,000</u>
Total Estimated Revenues	<u>\$31,274,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	6,308
Civil Service - Civilian	800
Exempt - Civilian	<u>5</u>
Total Employees	<u>7,113</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$1,340.13, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101116.01].</p>	<p>Prior year's recommendation was implemented.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Unclaimed paychecks were not returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased.</u> On our testing date, we observed 18 unclaimed paychecks that were over one week old, with the earliest paycheck dated four months prior.</p>	<p>The agency may not be able to maintain effective security over unclaimed checks and could jeopardize the city's compliance with the state's unclaimed monies law.</p>	<p>Unclaimed paychecks should be returned to the City Treasurer within one week if the employee could not be located or immediately if the employee is deceased [101116.02].</p>	<p>The department will endeavor to comply with the one week requirement that checks are returned to the treasury in a timely manner. Police personnel may have rotating shifts, out-of-state training and other exigent circumstances that prevent checks from being disbursed right away. After allowing considerations for these matters, the department will most certainly forward unclaimed checks to the treasury.</p> <p>With regards to deceased employees, this practice has been implemented.</p>
<p><u>Payroll data entries for separated employees were not always checked.</u> Final payroll checks were not properly calculated for two of the five employees tested. One of the separated employees was overpaid for his unused leave time by almost 15 days, while the other employee, who was not timely removed from the payroll system, was compensated for three additional days after her separation. Credit advices seeking recovery of the improper payments were not prepared until auditors brought the errors to management's attention.</p>	<p>Errors or irregularities occurred and were not detected during the normal process of preparing the bi-weekly payroll. In the two instances cited, the separated employees were erroneously overpaid by \$4,214 and \$164, respectively.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [101116.03].</p>	<p>The department acknowledges this issue and will make all attempts to prevent occurrences of this nature going forward. However, overages in pay are typically recovered via the employee's terminal leave check and then ultimately the payroll credit advice.</p>
<p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.</p>	<p>Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101116.04].</p>	<p>In previous years we have had difficulty keeping up with the volume since we process over 8,000 reports and need to scan and enter two transactions per report into ORACLE. We have purchased a high volume scanner to process reports more timely and efficiently.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Daily attendance record postings were not always properly authorized.</u> The Police Department uses its computerized Daily Attendance Report (DAR) System to maintain the daily payroll attendance records for all agency personnel. Police Department directives require that unit supervisors review and electronically approve DAR System attendance entries. However, our review of 11 Police Department employees found 21 instances where DAR entries were not approved by a unit supervisor. We also noted 23 instances where Police Department employees who entered the attendance information in the DAR System also approved it. Finally, we found 19 instances where the employees entered, updated or approved their own time worked.</p>	<p>Errors may occur and not be detected during the normal process of preparing the payroll. Failure to segregate incompatible duties also provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll. Ultimately, employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Instruct unit personnel as to the proper procedures to be followed when processing DAR entries. Additionally, establish a centralized monitoring procedure where designated personnel would receive a report of all DAR entries not approved and follow up with all non-complying units. Lastly, the duties of entering payroll data into the DAR System should be segregated from the duties of performing supervisory reviews and approvals. A possible solution would be to reprogram the system so that the individual performing data entry could not also sign-off as the supervisor [101113.01].</p>	<p>The Police Department runs a daily report of all DAR entries not certified and DAR entries entered and certified by the same person. We use this report to follow up with all non-complying districts and units to ensure proper procedures are being followed. A memorandum on the police payroll approval directive is sent to all commanders annually. While our Police Directive does require segregating duties of entering and certifying DARs, we understand your recommendation to reprogram the system so that the individual performing data entry cannot also certify as the supervisor. While we believe this can be done programmatically, we do not feel it will work operationally, due to the difficulties of supervisor availability.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monthly petty cash bank reconciliations have not been performed in a timely manner.</u> Of the ten bank reconciliations tested during fiscal year 2015, we noted that seven were prepared over thirty days after the end of the month.</p>	<p>Failure to perform monthly bank reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101115.01].</p>	<p>Implemented.</p>

City of Philadelphia
Department of Streets*
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Streets was established by the Home Rule Charter to be responsible for all functions relating to over 2,575 miles of streets, roads, and highways in the City of Philadelphia. A commissioner, appointed by the city's managing director with the approval of the mayor, directs the department. Powers and duties of the Department of Streets include: designing, constructing, repairing, and maintaining streets and roads within the city of Philadelphia, and drives within Fairmount Park; installing, maintaining, and operating equipment for lighting city streets; cleaning city streets; removing and disposing refuse; administering and enforcing statutes, ordinances, and regulations for maintaining the cleanliness of city streets; developing regulations governing traffic and parking as authorized by statute or ordinance; and performing all surveying functions for the city.

Name and address of agency head
Carlton Williams, Commissioner
Department of Streets
Municipal Services Building, 7th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:
General Fund \$125,406,720
County Liquid Fuels Tax Fund 4,950,000
Special Gasoline Tax Fund 28,500,000
Grants Revenue Fund 36,230,000
Capital Fund 312,935,000
Total Appropriations \$508,021,720

Estimated Revenues:
Non-Tax Revenue \$24,995,000
From Other Governments 74,505,000
Total Estimated Revenues \$99,500,000

Number of Full Time Employees:
Civil Service 1,664
Exempt 5
Total Employees 1,669

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Duties for preparing the petty cash fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the petty cash fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101216.01].	Streets will ensure that the petty cash custodian and reconciliation roles are properly segregated.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year for a total of \$382.02, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101216.02].	Streets will place a stop payment order and draw a transfer check payable to the City's Unclaimed Monies Fund.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for car wash services, parking tickets, and office supplies. Cable services were also purchased through the use of petty cash. The unallowable expenditures totaled \$721.77.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under standard accounting procedures of the city's Finance Office.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [101216.03].	Streets will ensure petty cash funds are disbursed only for allowable purchases.
REVENUE <u>Formal written procedures for the processing of revenues do not exist.</u> The agency does not have formal written procedures that describe the processes over the collection, timely deposit, and recording of collections in the accounting records.	Failure to establish formal written procedures for the collection and recording of revenues could create ambiguity about the proper procedures to be followed. Errors such as the misstatement of revenues and misappropriation of assets could occur in the processing of revenues.	Create and maintain formal written procedures that describe the process over the collection, timely deposit, and recording of collections in the accounting records [101215.01].	Streets is currently working on establishing formal written procedures for the processing of revenues.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Payroll attendance records were not being properly authorized by supervisory personnel.</u> In our review of the Street's Department attendance records, we noted that there was no supervisory signature indicating approval of the bi-weekly attendance records for eighteen of the 80 records tested. On another occasion, an attendance record was approved by a supervisor who was not present on the work day tested.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [101216.04]. The payroll unit should also be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [101216.05]. Finally, management should appoint other individuals to approve attendance records in the absence of unit supervisors [101216.06].	Streets will be establishing an internal auditing process which will include monitoring proper completion of payroll attendance records in the department.
<u>Supervisory and executive approvals of payroll time record entries were not always segregated.</u> Auditor noted that in four of the nineteen pay periods tested, the same person performed both the supervisory and executive level reviews.	Combining multi-level approvals undermines the objective of the review process. Systemic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Assign different individuals to perform the supervisory and the executive level approvals of the bi-weekly payroll [101216.07].	Streets will ensure supervisory and executive level approvals of bi-weekly payroll are properly segregated.
<u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual performance reports for all civil service employees by supervisory personnel [101216.08].	Prior year's recommendation was implemented.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was still not enforced.</u> Two of the eight employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day, nor were they issued the required eighth-day notification letter informing them they were being placed on the list. Another two employees, while on the Sick Leave List, were not penalized in accordance with the city's policy. Consequently, these four employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency was unable to provide a fifth day warning letter for one of the employees.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101215.03].</p>	<p>Streets will be establishing an internal auditing process to ensure the City's sick leave policy is properly followed throughout the department.</p>
<p><u>For the fifth consecutive year, we are reporting that employee overtime was not authorized.</u> Overtime was paid without evidence that management had approved the requests. The agency could not provide us with approved authorization forms for any of the five employees we tested.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101211.01].</p>	<p>Streets employees performing curbside collection and roadway maintenance and repair work are solicited for overtime work verbally while in the field as required, precluding any formal pre-approved documentation. An established multi-step supervisory review and verification process is in place which requires timesheets to be signed and approved by supervisors and subsequently authorized by senior management. Streets believes these controls are as effective as the recommended pre-approval process.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Recommendation	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payments made to a separated employee were not recovered by the agency.</u> Our testing revealed a separated employee remained on the city's payroll and continued to be paid leave time for three pay periods after his termination date. Additionally, the agency did not file the paperwork to recover the erroneous payments.	The separated employee was erroneously paid \$2,598.	Management should submit a Payroll Credit Advice to the city's Finance Office to recover the overpayment of wages paid to the separated employee [101215.02].	Implemented.
<u>Since our fiscal 2010 report, we have reported that documentation supporting and authorizing employee leave time was not routinely prepared.</u> Streets Department management's decision not to require formal employee requests for compensated absences is contrary to most other city departments. In our opinion, requiring employees to formally submit leave requests assists management in workforce performance and aids in the proper recording of employee leave time.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performances.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101210.01].	We continue to believe that the Streets Department should require employees to formally submit leave request forms for supervisory review and approval. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor Streets' employees for potential misclassified leave balances.

City of Philadelphia
Fire Department*
Findings and Recommendations
Fiscal Year 2016

Functions

The Philadelphia Fire Department (PFD) was established by the Philadelphia Home Rule Charter to provide the following major functions: extinguish fires within the city and, upon request of the appropriate authorities, outside the city; administer the fire code relating to fire and explosion hazards; institute and conduct programs of public education in fire prevention and safety; train, equip, maintain, supervise, and discipline an adequate number of firefighters; and operate a fire alarm system. Additionally, the PFD is also charged with delivering pre-hospital emergency medical care and transportation. The PFD consists of four major divisions that include Emergency Medical Services, Operations, Technical Services, and Administrative Services. Each of these divisions has responsibility for carrying out the various functions of emergency medical services and fire fighting. The department operates out of 68 locations throughout the City of Philadelphia, with each fire station housing a variety of equipment including pumpers, ladders, and medic units. A fire commissioner and four deputies manage the department. The fire commissioner is appointed by the city's managing director.

Name and address of agency head

Adam Thiel, Commissioner
Philadelphia Fire Department
240 Spring Garden Street
Philadelphia, PA 19123

Appropriations:

General Fund	\$219,082,796
Grants Revenue Fund	11,248,691
Aviation Fund	6,726,366
Capital Fund	<u>12,642,000</u>
Total Appropriations	<u>\$249,699,853</u>

Estimated Revenues:

Non-Tax Revenue	\$38,350,000
From Other Governments	<u>11,248,000</u>
Total Estimated Revenues	<u>\$49,598,000</u>

Number of Full Time Employees:

Civil Service – Uniformed	2,410
Civil Service - Civilian	102
Exempt - Civilian	<u>6</u>
Total Employees	<u>2,518</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Duties for performing the petty cash bank and fund reconciliations were not adequately segregated.</u> During our review of the Fire Department's petty cash records, we noted that the Task Force fund's custodian also prepared the bank and fund reconciliations. Also, we noted that the Headquarters fund's custodian reviewed the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations and an additional third person to complete the review in accordance with standard accounting procedures of the city's Finance Office [101316.01].</p>	<p>Starting in April 2016, following observations by an auditor from the Controller's Office, the Pennsylvania Task Force 1 re-assigned work responsibilities to ensure separation of duties that follow the standard accounting procedures of the Office of the Director of Finance.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight bank and fund reconciliations for the Fire Department's Headquarters' petty cash fund, we noted four bank reconciliations and four fund reconciliations were prepared over thirty days after the end of the month.	Failure to perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101316.02].	In the future, every effort will be made to ensure that the bank and fund reconciliations are prepared and submitted in a timely manner.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for services from Comcast. Even though the city's Finance Office approved the expenditure, payments for services from Comcast should be purchased through the Office of Innovation and Technology's direct purchase agreement. The agency also used petty cash to purchase food for internal meetings, for a total of \$189.	The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [101316.03].	Starting in FY2017, the Philadelphia Fire Department worked with the Office of Information Technology and the Procurement Department to establish approval to pay all Comcast invoices under a direct purchase authorization, rather than through petty cash. With respect to food purchases, every effort will be made to ensure such purchases are not for meetings that include only internal staff.
<u>Long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than one year, dating back to 2010, totaling \$596, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101316.04].	In early FY2018, the Philadelphia Fire Department plans to place a stop payment order and draw a transfer check payable to the City of Philadelphia for the sum of all checks outstanding for over one year in accordance with the city's standard accounting procedures.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Petty cash fund was commingled with another fund.</u> The agency used a bank account held by the Fire Academy to make purchases, ordinarily reserved for petty cash. The agency then reimbursed the Fire Academy for all of the expenditures from its Headquarters' Fund.	Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [101316.05].	In July 2017, PFD worked with the Office of the Director of Finance and the City Treasurer's Office to establish a separate petty cash fund for the Philadelphia Fire Academy.
REVENUE <u>Reported Emergency Medical Services (EMS) fee collection amounts do not agree to the city's accounting records.</u> EMS fee collection reports, submitted by a contractor hired by the Fire Department to perform EMS billings and collections, do not reconcile with the amounts recorded in the city's accounting system. For the five months tested, we noted differences totaling \$12,716.	Failure to reconcile EMS fees collected by the contractor to the city's accounting records may result in the understatement and loss of revenue.	The EMS fees collected by the contractor should be reconciled to the city's centralized accounting system (FAMIS) [101315.01].	Reported Emergency Medical Services fees did not agree to City's accounting records for two reasons. First reason relates to timing: revenue may not be recorded and validated in the same month it is collected. Second reason relates to revenue being erroneously classified as revenue for the Department of Public Health or Philadelphia Fire Department. Since both departments receive revenue from health insurance, there are times when revenue is deposited into one account or the other incorrectly and it takes time to correct. Starting in FY2017, DPH and PFD began meeting monthly to ensure better communication around this long-standing problem.
<u>Formal written procedures for the processing of EMS fees do not exist.</u> The agency does not have formal written procedures that describe the process over the collections, deposit, and recording of EMS revenues in the city's accounting records.	In the absence of written procedures, there is a risk that EMS fees collected by the contractor may be incorrectly processed and not recorded.	Create and maintain formal written procedures that describe the process over the collection, deposit, and recording of EMS revenues in the city's accounting records [101315.02].	PFD has not yet established written procedures for processing EMS fees, due to short relationship with a new billing contractor. PFD is adding capacity to its accounting staff and will make every effort to draft written procedures as quickly as possible once new staff are hired.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was still not enforced.</u> Two of the eight employees tested who had eight or more undocumented sick days, were not placed on the sick abuse list according to the on-line payroll records, nor were they issued the required eighth-day notification letter. These employees, and another who was placed on the list, continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these three employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, a 10-day suspension after the fourth occurrence and subject to discharge after the fifth occurrence.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101313.01].</p>	<p>PFD Human Resources has made several changes to its sick leave management process. First, sick leave monitoring is now the responsibility of staff within the Fire Roll Room, rather than the HR Director. The Fire Roll Room staff directly review and process leave time and can react more quickly to notify staff of sick leave usage or to place staff on the Sick Leave Abuse list. Second, PFD Human Resources created a shared email inbox to which staff can submit sick leave documentation, due to the geographical spread and shift schedule of PFD staff, it is difficult for some staff to submit documentation in a timely manner. The ability to submit documentation electronically has reduced that barrier. Third, PFD HR has added capacity at the end of FY17 that will reduce the work burden of all staff in PFD HR and permit staff to attend to daily tasks such as this.</p>
<p><u>For the fourth consecutive year, we are reporting that employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for six of the eight civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101312.01].</p>	<p>To make submissions easier, PFD created a shared email inbox in FY2017. Receiving evaluations electronically not only encourages timelier submissions but also allows for timelier record-keeping. Moreover, a redistribution of work responsibilities and adding staff capacity within PFD Human Resources will permit better record-keeping.</p>

City of Philadelphia
Department of Public Health*
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Public Health (DPH) was established by the Philadelphia Home Rule Charter to preserve and improve the health and well-being of the citizens of Philadelphia by supplying an available, accessible, and comprehensive system of health care. Other responsibilities include: the administration and enforcement of statutes, ordinances, and regulations relating to public health; the institution and conduct of programs to promote public education in all matters concerning public health; the establishment, maintenance and operation of health centers, stations, clinics, laboratories, and other health facilities; and the compilation, analysis, maintenance, and reporting of statistics and data concerning births, stillbirths, and deaths. A commissioner and three deputies manage the affairs of the DPH. These executives are appointed by the city's managing director, with the approval of the mayor. In accordance with the Home Rule Charter, the commissioner is made chairman of the Board of Health because the board is attached to the DPH and the regulations promulgated by the board will be the regulations of the department. The commissioner is assisted by three other specialized agencies acting in an advisory capacity: (1) the Air Pollution Control Board, (2) the Family Medical Care Board (also known as Community Health Advisory Committee), and (3) the Medical Examiner's Advisory Committee.

Name and address of agency head

Thomas Farley, MD, MPH
Health Commissioner
Department of Public Health
Room 600 Municipal Services Bldg.
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679

Appropriations:

General Fund	\$116,292,446
Grants Revenue Fund	74,681,174
Acute Care Hospital Fund	162,777,923
Capital Fund	<u>31,040,000</u>
Total Appropriations	<u>\$384,791,543</u>

Estimated Revenues:

Non-Tax Revenue	\$ 14,614,000
From Other Governments	<u>128,888,000</u>
Total Estimated Revenues	<u>\$143,502,000</u>

Number of Full Time Employees:

Civil Service	791
Exempt	<u>4</u>
Total Employees	<u>795</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for services from Comcast. Even though the city's Finance Office approved the expenditure, payments for services from Comcast should be purchased through the Office of Innovation and Technology's direct purchase agreement.</p>	<p>The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.</p>	<p>We recommend that management refrain from approving petty cash expenditures for unallowable purchases [101416.01].</p>	<p>Due to the timing of this issue, the department could not implement a change in payment processing during FY 2016. We no longer process Comcast payments via petty cash and have implemented payments from a direct purchase agreement as required in FY 2017.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight petty cash bank and fund reconciliations tested during fiscal year 2016, we noted six bank and fund reconciliations were prepared over thirty days after the end of the month.	Failure to perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101415.01].	The department has taken steps to ensure that all reconciliations are submitted in a timely manner, Furthermore, we have implemented scanning of all reconciliations in order to document the submission dates.
<u>Long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, dating back to 2005, totaling \$8,352, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [101415.05].	The department performed extensive analysis of outstanding checks and determined the amount was \$5,215.39. This amount was verified with the city's Finance Department. Stop payment orders were placed on all checks and the total was deposited with the Revenue Department per city policy on March 9, 2017.
PERSONAL SERVICES <u>Employee evaluations were still not recently performed.</u> The agency was unable to provide recent employee performance evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101415.07].	We have instituted quality improvement efforts to address this deficiency. In May 2017, the HR unit created a database to track annual, special, and probationary performance reports. Procedures are being put in place to ensure that monthly notices are submitted to division directors for instances of noncompliance.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>City sick leave policy was still not enforced.</u> Three of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently, these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency did not issue the required eighth-day notification letter to two employees informing them they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [101415.08].</p>	<p>Compliance with the department's Sick Leave Policy is an area for improvement. Several months ago, the task of tracking sick leave was reassigned to the Payroll unit within the Health Human Resources Office as a more efficient way of tracking information. They have the ability to generate monthly reports to capture all undocumented sick leave in a timely manner to ensure employees are placed promptly on the sick abuse or frequent use of sick leave list. Departmental managers will be notified of the changes.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS

Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Petty cash disbursements lacked proper supporting documentation.</u> During our review of the agency's petty cash records, we noted an instance where the agency reimbursed an employee \$100 for training without a receipt from the employee verifying that the employee paid for the courses.</p>	<p>Failure to obtain the proper supporting documentation for petty cash disbursements increases the risk that petty cash funds could be used for unauthorized purposes.</p>	<p>Management should ensure that all petty cash disbursements are supported by proper documentation in accordance with standard accounting procedures of the city's Finance Office [101415.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash fund.</u> The agency did not properly submit to the city's Finance Office the required documentation to update the city's records that its petty cash custodian changed. According to standard accounting procedures of the city's Finance Office, the agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.	Management should submit to the Finance Office an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [101415.03].	Implemented.
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal approved leave requests for two of the five employees selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101415.06].	Implemented.
<u>The agency's lateness policy still did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours. However, the document neither defined lateness nor established progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [101410.06].	We continue to believe that DPH should implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.

City of Philadelphia
Department of Behavioral Health and Intellectual Disabilities Services
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Behavioral Health and Intellectual Disabilities Services (DBH/IDS) was established in 2004 by executive order. The major objective of the DBH/IDS is to assure the availability of state mandated mental health services to residents of Philadelphia. Services include residential housing, vocational rehabilitation, intensive case management, employment, and emergency services aimed at providing supportive environments for both consumers and their families. DBH/IDS collaborates with other service systems in both program development and service delivery efforts, especially when the consumer is receiving care from more than one service system. Additionally, DBH/IDS attempts to foster community understanding and acceptance of individuals with disabilities in order to improve opportunities for community based services for consumers. The DBH/IDS brings together the following three agencies to form a single entity: the Office of Mental Health, the Coordinating Office for Drug and Alcohol Abuse Programs, and Community Behavioral Health (a nonprofit corporation serving as the city's managed care organization for Medicaid patients). These three components of the system collaborate in a range of functions, including: fiscal and administrative oversight of programs and services; policy analysis and planning; quality improvement; monitoring of treatment providers; and authorization of services. In addition, the department also provides services for persons with intellectual disabilities by acting as an administrative organization for the state to ensure compliance with state directives and mandates. DBH/IDS management consists of a commissioner appointed by the mayor, two deputies, a medical director, and a chief financial officer.

Name and address of agency head
David Jones, Commissioner
Department of Behavioral Health and
Intellectual Disabilities Services
1101 Market Street, 7th Floor
Philadelphia, PA 19107

Appropriations:
General Fund \$ 13,975,576
Grants Revenue Fund 254,797,914
Health Revenue Fund 961,552,000
Total Appropriations \$1,230,325,490

Estimated Revenues:
Non-Tax Revenue \$ 1,500,000
From Other Governments 1,214,850,000
Total Estimated Revenues \$1,216,350,000

Number of Full Time Employees:
Civil Service 221
Exempt 5
Total Employees 226

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was still not enforced.</u> None of the five employees tested, who used eight or more days of undocumented sick leave, were placed on the Excessive Use of Sick Leave List or penalized according to the City's Sick Leave Rules and Regulations. These employees continued to use and be paid for both certified and uncertified sick leave in</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the</p>	<p>Compliance with the department's sick leave policy is an area targeted for improvement. Several months ago, the task of tracking sick leave was reassigned to the Payroll Unit within the Health Dept. Human Resource Office,</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Continued</u> violation of the policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency was unable to provide a fifth day warning letter for four of the employees, or an eighth day sick abuse letter for any of the five employees tested.		policy, be adopted and enforced by management [101512.01].	whose staff are responsible for tracking sick leave for DBHIDS staff. The reassignment to the payroll unit will result in greater efficiency. The payroll unit will be able to generate monthly reports of undocumented sick leave and ensure prompt placement on the sick abuse or frequent use of sick leave list. Managers will be notified of these changes.
<u>For the sixth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency could not always provide formal approved leave requests for four of the five employees selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101510.01].	This has been addressed. On both 2-2-16 and 1-30-17, employees received the document "Fact Sheet – Payroll Processing" which notes employees' responsibilities. The document reminds employees they are obligated to submit documentation in a timely manner for all leaves, and that failure to comply may result in progressive discipline.
<u>For the fourth consecutive year, we are reporting that employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [101510.04].	The Health Department HR Unit has instituted quality improvement efforts to address this deficiency. In May 2017, a database was created to track annual, special, and probationary reports, including for DBHIDS staff. Procedures are being put in place to ensure monthly notices are submitted to division directors when reports are not received. Non-compliance will be reported to division directors.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The agency's lateness policy did not define lateness or establish sanctions.</u> Management provided us with a copy of guidelines on employee work hours. However, it neither defined lateness nor established progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile, issue and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [101510.02].</p>	<p>We continue to believe that DBH/IDS should implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.</p>

City of Philadelphia
Department of Parks and Recreation*
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Parks and Recreation was established by a 2008 amendment to the Philadelphia Home Rule Charter that merged the operations of the Fairmount Park Commission with the Recreation Department. As part of the Charter referendum, the former Fairmount Park Commission became the Commission on Parks and Recreation.

The Department of Parks and Recreation has the power and duty to: formulate and conduct a comprehensive and coordinated program of cultural and physical recreational activities; manage and operate all city recreational facilities and all parks and public squares; construct, maintain, improve and repair such facilities, parks and squares; preserve, manage, and operate historical shrines not otherwise entrusted; and plan for the acquisition of buildings and grounds of historical significance. A commissioner, appointed by the managing director with the approval of the mayor, heads the department. The commissioner appoints a deputy commissioner of recreation and a deputy commissioner of parks to manage operations of the city's recreation programs and parks, respectively.

The Commission on Parks and Recreation consists of fifteen members, nine appointed by the mayor from a list of nominations submitted by City Council, and six serving ex officio. The latter members are the president of City Council, the executive director of the City Planning Commission, the water commissioner, the streets commissioner, the public property commissioner, and the parks and recreation commissioner. The commission reviews and makes recommendations to the mayor for land transactions involving the parks or recreation facilities. The commission's functions also include assisting and advising the parks and recreation commissioner, enhancing the image of the parks and recreation facilities, and expanding and diversifying sources of funding.

Both the Philadelphia Museum of Art and the Board of Trustees of the Atwater Kent Museum received city appropriations through the Department of Parks and Recreation for Fiscal Year 2016.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Kathryn Ott Lovell, Commissioner	General Fund \$ 60,718,381	Non-Tax Revenue \$ 2,269,000
Department of Parks and Recreation	Grants Revenue Fund 11,274,929	From Other Governments <u>10,775,000</u>
1515 Arch Street, 10 th Floor	Capital Fund <u>160,127,000</u>	Total Estimated Revenues \$ <u>13,044,000</u>
Philadelphia, PA 19102	Total Appropriations <u>\$232,120,310</u>	
		<u>Number of Full Time Employees:</u>
		Civil Service 596
		Exempt <u>9</u>
		Total Employees <u>605</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed \$1,425.68 of petty cash funds on food and refreshments for meetings and training sessions attended only by city employees.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for purchases which are not permitted under standard accounting procedures of the city's Finance Office.	Management should ensure that petty cash funds are properly authorized and disbursed only for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [101616.01].	The department agrees with the recommendation. Moving forward we will ensure that petty cash is not used for food, refreshments or any other prohibited item.
<u>Petty cash funds have been commingled.</u> During our review of petty cash, we observed the agency transferred \$500 from the Administration petty cash fund to the Program petty cash fund.	Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [101616.02].	We agree with the recommendation. This was a one-time event.
<u>A shortage exists in the agency's petty cash account.</u> During our review of petty cash, we noted that the agency's Program petty cash fund has had a consistent shortage of \$198.76 for over a year.	Failure to investigate and carry shortages on petty cash reconciliations increases the risk that missing funds will remain unrecovered as well as complicates the reconciliation process.	If any overages or shortages exist, they should be evaluated by the appropriate supervisory level employee for further investigation in accordance with standard accounting procedures of the city's Finance Office [101616.03].	We agree and will handle any variances according to the SAP.
<u>Petty cash disbursements lacked required prior approval.</u> During our review of the Administration fund's petty cash expenditures, we noted sixteen expenditures totaling \$2,847.58 that were not approved prior to the purchase of goods or services.	Failure to obtain prior approval of petty cash purchases increases the risk that petty cash funds could be used for unauthorized purchases and may result in the expenditure of unnecessary taxpayer dollars.	Management should ensure that petty expenditures are properly authorized in accordance with standard accounting procedures of the city's Finance Office [101616.04].	The department agrees with the recommendation and will work with supervisors to ensure prior approval is received for petty cash purchases.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Petty cash disbursements lacked supporting documentation.</u> During our review of the Program Division's petty cash fund, proper supporting documentation could not be provided for four disbursements totaling \$481.91.	Failure to obtain the proper supporting documentation for petty cash disbursements could lead to unauthorized expenditures and increases the risk that petty cash funds could be used for unauthorized purposes that result in the expenditure of unnecessary taxpayer dollars.	Management should ensure all petty cash disbursements are supported by proper documentation in accordance with standard accounting procedures of the city's Finance Office [101616.05].	The department agrees with the recommendation and will train fund custodians on the importance of receiving proper documentation prior to cash disbursements.
<u>Long outstanding petty cash checks were not deposited into city's Unclaimed Monies Fund.</u> Checks outstanding more than a year in both the Administrative and the Program Divisions' petty cash funds, dating back to 2004, totaling \$208, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance standard accounting procedures of the city's Finance Office [101615.02].	We agree with the recommendation and process for Unclaimed Monies. Fund custodians will clear all outstanding checks and develop an effective tracking system for unclaimed monies.
REVENUE <u>Duties for processing revenues were not adequately segregated.</u> One employee handles all aspects of the revenue process: receiving, recording and depositing cash receipts.	Failure to segregate incompatible duties increases the opportunities for a person to perpetuate and conceal irregularities when performing normal duties.	Management should assign the duties of receiving, recording and depositing revenues to separate employees [101615.04].	We agree with the recommendation and will segregate the duties of receiving and recording cash receipts with additional staff.
PERSONAL SERVICES <u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for civil service employees by supervisory personnel [101616.06].	We agree with the recommendation and understand the importance of completing performance evaluations.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee attendance records are not properly used to document employee attendance.</u> We noted that employees were completing their weekly time reports before the time had actually been worked. Additionally, we noted the same time reports were authorized by the supervisor prior to the completion of the work week.	Employee work time may not be accurately and completely accounted for. In addition, employees could be paid for time not worked.	Require employees to contemporaneously complete their weekly time reports and instruct supervisors to authorize employee time at the completion of the work week [101615.06].	We are in agreement with the recommendation and will work with supervisors to correctly authorize time reports.
<u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved it in advance. The agency could not provide approved overtime authorization forms for 11 of the 25 sample dates selected for testing.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [101613.02].	All overtime has supervisory approval and various tracking methods are used. We will continue to remind supervisors to complete overtime authorization forms and include any emails or memos approving overtime.
<u>City sick leave policy was still not enforced.</u> Three employees, two of whom had been placed on the excessive use of sick leave list for using eight or more undocumented sick days, continued to use and be paid for uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. One individual, who was placed on the sick abuse list, used an additional 45 days (mostly absences without available leave time) after his fifth undocumented occurrence, which would have made him subject to discharge at that time. We also noted that the agency did not issue the eight-day notification letter informing two of the employees that they were being placed on the excessive use of sick leave list or a fifth day warning letter to one of them.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time and/or seeking overtime to make up the wages lost by their absences. While the employee noted in our comment was not being paid for the time he was absent, he has received over \$4,500 in overtime and wages that should have been lost by imposing the required suspensions. This accounts for over 13% of his current annual salary.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy notification requirements, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [101612.01].	We agree with the recommendation and will train staff and continue to reinforce the sick leave policy and procedures.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>For the fifth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [101611.01].	The department will work with the current union leadership to develop a formal lateness policy that adheres to civil service regulations and contract language.
<u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency could not always provide formal approved leave requests for three of the five employees selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [101610.03].	We agree with the recommendation and will work to ensure that appropriate leave slips are completed.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash bank and fund reconciliations were not performed in a timely manner.</u> Five of the eight fund reconciliations we reviewed for both the Administrative and Program Divisions' petty cash funds were not completed in a timely manner. In addition, three of the Program Divisions' petty cash bank reconciliations were not prepared within thirty days after the end of the month.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [101615.01].	Implemented.
<u>Duties for preparing and reviewing petty cash bank and fund reconciliations for the Commission on Parks and Recreation were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the employee who prepared the bank and fund reconciliations also approved them.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a responsible administrative employee to review and approve completed bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [101615.03].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entries were not adequately checked.</u> We noted that for two of the five sample employees tested, the daily attendance records did not agree to the on-line payroll system. In one instance, an employee was charged a vacation day when it should have been a funeral day. In another instance, the employee was charged a full day of compensatory time even though the employee worked a full day according to his sign in sheet.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [101615.05].	Implemented.

City of Philadelphia
Department of Public Property
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Public Property was established by the Philadelphia Home Rule Charter to centralize a variety of functions related to the city government's physical plant, communications, power systems, and city-owned transit facilities. Within the scope of its functions under the Charter, the Department of Public Property exercises the following powers and performs the following duties: supervision over the construction, maintenance, and repair of city facilities; acquisition and disposition of city-owned or leased real estate; assignment of space in city buildings to executive and administrative agencies; and supervision of leases and contracts with utilities and city-owned transit facilities. A commissioner and two deputies, all of whom are appointed by the city's managing director, with the approval of the mayor, manage the department. The commissioner of Public Property is a member of the Historical Commission, which certifies buildings having historical value.

<u>Name and address of agency head</u>	<u>Appropriations:</u>	<u>Estimated Revenues:</u>
Bridget Collins-Greenwald, Commissioner	General Fund \$188,249,655	Non-Tax Revenue \$13,200,000
Department of Public Property	Water Fund 4,042,633	From Other Governments <u>18,000,000</u>
City Hall, Room 790	Aviation Fund 26,900,000	Total Estimated Revenues <u>\$31,200,000</u>
Philadelphia, PA 19107	Capital Fund <u>25,606,000</u>	
	Total Appropriations <u>\$244,798,288</u>	
	<u>Number of Full Time Employees:</u>	
	Civil Service 182	
	Exempt <u>12</u>	
	Total Employees <u>194</u>	

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Duties for performing the petty cash fund reconciliations were still not adequately segregated.</u> During our review of the petty cash records for the Department of Public Property's Capital Program Division, we noted that the petty cash custodian also prepared the fund reconciliations.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.01].	The department has taken measures to address this issue. There is not enough staff to maintain three separate petty cash custodians and three separate employees to conduct the reconciliations. We proposed closing one of the accounts which will be closed as of June 30, 2017. Going forward we will have two separate petty cash accounts with separate custodians. The accountant in our fiscal office will be responsible for reconciling both accounts and our budget officer will be the third level of review.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Monthly petty cash fund reconciliations had still not been independently reviewed and approved.</u> During our review of the petty cash records for the Department of Public Property's Administration Division, we noted that the petty cash custodian also reviewed and approved the fund reconciliations.	Failure to independently review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.	Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [102015.02].	The department has taken measures to address this issue. There is not enough staff to maintain three separate petty cash custodians and three separate employees to conduct the reconciliations. We proposed closing one of the accounts which will be closed as of June 30, 2017. Going forward we will have two separate petty cash accounts with separate custodians. The accountant in our fiscal office will be responsible for reconciling both accounts and our budget officer will be the third level of review.
PERSONAL SERVICES <u>Employee overtime was not authorized.</u> Auditors found that for two of the twenty-five overtime dates selected for testing, one employee approved his own overtime slip.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102016.01].	The issue was detected by our payroll processor and we have been having training for our supervisors, managers and group leaders concerning this matter.
<u>Employee evaluations were still not recently performed.</u> The agency was unable to provide a recent employee performance evaluation for four of the five civil service employees we tested.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102015.03].	Last year at open enrollment we were part of the OHR cluster. This year HR is housed in the department and HR manager will have ownership of the outcome.

City of Philadelphia
Department of Human Services*
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Human Services (DHS) traces its origin to the Department of Public Welfare under the Charter of 1919. With the adoption of the Philadelphia Home Rule Charter of 1951, it was established as a department under the managing director with the sole duty of carrying out public welfare functions. Powers and duties of DHS include: receiving, caring for, and placing children who are dependent, mentally challenged, neglected, incorrigible, and delinquent; investigating from time to time the manner in which those placed are being cared for; approving or disapproving billings to the city for maintenance of city residents in state institutions or in private facilities; transmitting to the Revenue Department amounts received for care and placement; and supervising the Youth Study Center including the determination of capacity, type, and proportion of persons to be received therein. DHS is directed by a commissioner who is appointed by the city's managing director with the approval of the mayor.

Name and address of agency head
Cynthia Figueroa, Commissioner
Department of Human Services
1515 Arch Street, 8th Floor
Philadelphia, PA 19102

Appropriations:
General Fund \$102,729,321
Grants Revenue Fund 570,829,054
Total Appropriations \$673,558,375

Estimated Revenues:
Non-Tax Revenue \$ 9,372,000
From Other Governments 565,807,000
Total Estimated Revenues \$575,179,000

Number of Full Time Employees:
Civil Service 1,424
Exempt 10
Total Employees 1,434

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Employee travel expenses over \$100 were disbursed from petty cash.</u> During our review of petty cash expenditures, we observed the agency issued a travel reimbursement expenses in the amount of \$458.97.	Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [102216.01].	DHS' Director of Fiscal Operations will work with all petty cash and imprest account custodians to ensure that they are in compliance with all petty cash standard accounting procedures. The department is in the process of updating its internal policies and procedures to address petty cash payment and reimbursement issues.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$808.56, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [102216.02].	DHS' Director of Fiscal Operations will work with all petty cash and imprest account custodians to ensure that they are in compliance with all petty cash standard accounting procedures. Effective July 1, 2017, all bank and fund reconciliations for petty cash and imprest accounts are performed by staff in the newly formed Fiscal Operations Unit. Fiscal Operations staff will monitor outstanding checks and will deposit to the Unclaimed Monies Fund as needed.
<u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash funds, we noted that the custodian for the Juvenile Justice petty cash account prepared all seven of the bank and fund reconciliations tested.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare and review the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102216.03].	Effective July 1, 2017 all bank and fund reconciliations for petty cash and imprest accounts are performed by staff in the newly formed Fiscal Operations Unit, which will ensure adequate segregation.
<u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash fund.</u> According to standard accounting procedures of the city's Finance Office, if the petty cash custodian changes, the agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.	Management should submit an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102216.04].	In early 2016, DHS updated all of its custodian documentation to reflect up to date custodian information. As of July 1, 2017, during the monthly reconciliation process, Fiscal Operations staff confirms that no changes have been made to the physical custody and operation of the petty cash and or imprest account. If any changes have taken place, the director of fiscal operations submits an Agency Request for Petty Cash and Imprest Changes form to the Finance Office.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Overtime was paid without evidence of the actual time worked.</u> We noted six occasions where an employee had signed in for an eight hour work day, but was compensated for overtime without record of the actual additional hours worked.	Employees may erroneously be paid for time not actually worked and could result in the expenditure of unnecessary payroll dollars.	Management should enhance controls over payroll by ensuring that documentation of approved overtime includes a record of the actual time worked in addition to the additional overtime hours.[102216.05]	DHS is unaware of the specific instances cited so cannot comment on each one specifically. However, DHS has a strong payroll oversight process, which requires documentation before overtime can be paid. Regular payroll audits were implemented during Fiscal Year 2017; frequency of audits will increase during Fiscal Year 2018.
<u>City sick leave policy was still not enforced.</u> None of the five employees tested were placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently these employees continued to use to use and be paid for both certified and uncertified sick leave in violation of the policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency was unable to provide a fifth day warning letter for two of the employees, and an eighth day sick abuse letter for any of the five employees tested.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102212.02].	Implemented – During Fiscal Year 2017, the responsibility of tracking the use of uncertified sick leave and notifying employees who have violated the sick leave policy was transferred from the DHS payroll supervisor to the individual DHS payroll clerks. This action resulted in a closer monitoring of sick leave violations and more timely communications to DHS employees.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>For the sixth consecutive year, we are reporting that supervisory and executive approvals of payroll time records entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for fifteen of the twenty periods tested.	Failure to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [102210.02].	Implemented – DHS HR currently follows the procedure as outlined in a memorandum distributed by Valerie Hayes effective 04/21/16. When a designated employee in HR and/or Finance is not available to approve the payroll, HR sends an email to Ms. Hayes apprising her of the current situation.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the twelve petty cash bank and fund reconciliations tested during fiscal year 2015 for the Department of Human Services' Budget Division, we noted seven bank reconciliations and seven fund reconciliations were not prepared within thirty days after the end of the month.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102215.01].	Implemented.
<u>Employee evaluations were still not recently performed.</u> The agency could not provide recent employee evaluations for three of the six civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102212.01].	Implemented.

City of Philadelphia
Philadelphia Prison System
Findings and Recommendations
Fiscal Year 2016

Functions

The Philadelphia Prison System was established as a separate agency by Executive Order 5-88 dated April 6, 1988. Prior to that time, the prison system had been part of the Department of Human Services. The mission of the prison system is to provide a secure correctional environment that adequately detains persons accused or convicted of illegal acts; to provide programs, services, and supervision in a safe, lawful, clean, humane environment; and to prepare incarcerated persons for reentry into society. A commissioner, who is appointed by and reports to the city's managing director, is responsible for the overall administration of the entire prison system. The prison commissioner is also accountable to a seven-member Board of Trustees whose members include the commissioner of the city's Department of Human Services (ex officio) and six citizens appointed by the mayor. The Philadelphia Prison System operates five major correctional facilities in Northeast Philadelphia, as well as several smaller Alternative and Special Detention facilities in various locations of the city. Each prison facility is under the direction of a warden, who is assisted by one or more deputy wardens and support staff.

Name and address of agency head
Blanche Carney, Commissioner
Philadelphia Prison System
7901 State Road
Philadelphia, PA 19136-3407

Appropriations:
General Fund \$253,791,576
Grants Revenue Fund 30,000
Capital Fund 24,367,000
Total Appropriations \$278,188,576

Estimated Revenues:
Non-Tax Revenue \$ 450,000
From Other Governments 585,000
Total Estimated Revenues \$1,035,000

Number of Full Time Employees:
Civil Service 2,274
Exempt 2
Total Employees 2,276

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Petty cash funds have been commingled.</u> Expenditures for Philacorp, totaling \$4,400, were paid using the Prison petty cash fund during the month we tested.	Compromising the integrity of the petty cash fund increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure petty cash funds are kept separate and not commingled with any other fund in accordance with standard accounting procedures of the city's Finance Office [102316.01].	Thank you for your agency's review of our petty cash funds. We will work with accounting to come up with the proper way to address the findings while maintaining compliance with all standard accounting procedures.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Petty cash purchases exceeded the \$500 spending limit.</u> Payments totaling \$3,900 were issued to fund a culinary arts program.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from paying invoices over \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office [102316.02].</p>	<p>Thank you for your agency's review of our petty cash funds. We will make the required changes.</p> <p>We will work with accounting to come up with the proper way to address the findings while maintaining compliance with all standard accounting procedures.</p>
<p>PERSONAL SERVICES</p> <p><u>City sick leave policy was not enforced.</u> Three of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently, these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. In addition, one of the five employees was not provided a fifth-day warning letter after using five undocumented sick days.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102313.03].</p>	<p>PDP hired a new sick abuse administrator in June 2016. The employee has sufficient knowledge of the city wide sick leave policy and is now being properly enforced. The department is taking all measures to ensure accurate discipline is issued in line with the policy.</p>

City of Philadelphia
Office of Homeless Services*
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of Homeless Services (OHS), formerly known as the Office of Supportive Housing, was established to provide the leadership, planning, and resource mobilization to make homelessness in Philadelphia rare, brief and non-recurring. These services encompass prevention efforts, shelter care, comprehensive case management, and referral services to a variety of assistance programs dealing with problems such as substance abuse, mental-health ailments, and life-skill deficiencies. Services can range from providing one night of shelter to victims of fire to year-round housing for chronically needy individuals. Many of the services are provided by third parties with which OHS contracts. The overall goal of OHS is to help individuals and families move toward independent living and self-sufficiency in permanent housing. OHS also operates Riverview, a personal care boarding home for low income people with physical or mental disabilities that require assistance with the activities of daily living. OHS is headed by a Deputy Managing Director who reports to the Deputy Mayor for Health and Opportunity.

Name and address of agency head
Elizabeth Hersh, Director
Office of Homeless Services
1030 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:
General Fund \$45,544,382
Grants Revenue Fund 46,554,054
Capital Fund 4,658,000
Total Appropriations \$96,756,436

Estimated Revenues:
Non-Tax Revenue \$ 870,000
From Other Governments 46,554,000
Total Estimated Revenues \$47,424,000

Number of Full Time Employees:
Civil Service 148
Exempt 2
Total Employees 150

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Petty cash disbursements lacked required prior approval.</u> During our review, we noted six payments totaling \$1,666.37, from the Human Services Fund that were not approved prior to the date in which a check was issued. In addition, purchases with cash on hand totaling \$618.92 were disbursed without prior approval.</p>	<p>Failure to obtain prior approval of petty cash purchases increases the risk that petty cash funds could be used for unauthorized purchases and may result in the expenditure of unnecessary taxpayer dollars.</p>	<p>Management should ensure that all petty cash disbursements are properly authorized in accordance with standard accounting procedures of the city's Finance Office [102416.01].</p>	<p>OHS has updated its internal petty cash policy to ensure that petty cash purchases are not made without prior approval.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash funds.</u> The employees responsible for issuing checks from both the Human Services and the Adult Services petty cash funds are not the employees listed in the city's accounting system (FAMIS). The employee responsible for issuing checks and submitting for reimbursement should match the name that is listed in FAMIS. According to standard accounting procedures of the city's Finance Office, the agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.	Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.	Management should submit to the Finance Office an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102416.02].	In accordance with standard accounting procedures, OHS has submitted a request for a new petty cash custodian. The request was approved and the employee is now listed in the city's accounting system.
<u>Petty cash funds are not adequately safeguarded to protect against loss.</u> Petty cash funds are kept in an envelope inside of a locked cabinet that is used for purposes other than petty cash.	Failure to properly safeguard cash and checks could lead to the loss or misappropriation of the funds.	Management should ensure the cash and checkbook are maintained inside a locked metal cash box in accordance with standard accounting procedures of the city's Finance Office [102416.03].	OHS has taken the proper steps to ensure that cash and checkbooks are maintained in a metal locked cash box.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for monthly services from ADT Security. Even though the city's Finance Office approved the expenditure, payments for services made on a recurring basis should either be made through a direct purchase agreement or through a contract with an existing city vendor. In addition, disbursements totaling \$1,038.37 were for travel expenses over the allowable limit of \$100.	The improper use of petty cash funds circumvents the city's budgeting controls included in the procurement process and increases the risk that unauthorized expenditures could occur without detection.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [102416.04].	OHS has transferred the security alarm system responsibility to the owner of the building ending the use of petty cash for services on a recurring basis. Additionally, OHS will cease the use of petty cash for travel over the allowable limit of \$100. A copy of the petty cash SAP has been given to the new account clerk. The new petty cash custodian has since received training from the Finance Department on proper procedures for compiling travel documentation and submitting related reimbursements.
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year for \$225, was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [102416.05].	A stop payment was placed on the check. OHS will transfer funds to the unclaimed funds account in accordance with SAP.
<u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the nine bank and fund reconciliations tested during fiscal year 2016, we noted four bank and fund reconciliations were not prepared within thirty days after the end of the month.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [102415.01].	OHS has filled a critical vacant position which will facilitate the timely submission of monthly bank reconciliations.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>For the fifth consecutive year, we are reporting that a formal lateness policy was not established and communicated to employees.</u> While the agency had a written lateness policy, the policy did not establish specific sanctions for repeated lateness violations.</p>	<p>By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to include progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [102411.02].</p>	<p>The Office of Homeless Services (OHS) believes in affording its staff maximum flexibility with regard to time. OHS utilizes flex time from 7:00 a.m. to 9:30 a.m. with an additional 14 minute grace period. Therefore, employees are not counted as late until 9:45 a.m. At that point, they have the option of using 30 minutes leave from 9:30 a.m. to 10:00 a.m. or, with their supervisor's approval, they can remain at work for an additional 30 minutes at the end of their regular work day to make up the difference.</p>

City of Philadelphia
Office of Fleet Management
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of Fleet Management (OFM) was established under Executive Order 5-93, signed by the mayor on April 6, 1993. OFM supports the operations of other city departments and agencies by ensuring that the city's fleet of vehicles and special equipment is available, dependable, and safe to drive. Responsibilities of the OFM include purchasing, maintaining, repairing, and disposing of all city vehicles, as well as establishing and keeping a vehicle management information system operative. OFM comprises four divisions: Operations, Bureau of Quality Assurance, Administrative Services, and Information Services. The department conducts business at 77 sites, including 15 garages, 60 fuel sites, a suite of administrative offices, and a sales lot. The fleet manager (a deputy managing director) oversees OFM with the assistance of a deputy and three directors.

Name and address of agency head
Christopher Cocci, Fleet Manager
Office of Fleet Management
100 South Broad Street, 3rd Floor
Philadelphia, PA 19110

Appropriations:

General Fund	\$ 61,577,500
Water Fund	8,732,957
Aviation Fund	8,245,188
Capital Fund	<u>24,476,000</u>
Total Appropriations	<u>\$103,031,645</u>

Estimated Revenues:

Non-Tax Revenue	\$4,925,000
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Number of Full-Time Employees:

Civil Service	321
Exempt	<u>1</u>
Total Employees	<u>322</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>A petty cash purchase again was split in an effort to evade the \$500 spending limit.</u> The agency circumvented the \$500 petty cash expenditure limit established by the Director of Finance, by splitting a \$2,000 payment into four payments of \$500, to replenish their EZ Pass account held with the Delaware River Port Authority.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office. In addition, management should contact the city's Procurement Department to request approval for a direct purchase authorization to pay for such reoccurring expenditures in accordance with Procurement Department Directive #6 - Direct Purchase Authorization and Procedure [102515.01].</p>	<p>Starting 01/01/2017, OFM will no longer issue petty cash checks to replenish the city's EZ-Pass Account. The accounts payable supervisor in OFM will administer and monitor direct payments to this account, and statements will be reviewed and approved by the deputy fleet manager at OFM before Finance processes any final payments to this account. This new process will ensure sufficient funding is added to EZ Pass accounts based on need and usage.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Petty cash disbursements still lacked supporting documentation.</u> Fleet Management was unable to provide the EZ - Pass logs used to track and record the daily usage of EZ - Pass transponders used by Mayor's Office and Police Department vehicles.	Failure to obtain the proper supporting documentation for petty cash disbursements could lead to unauthorized EZ-Pass use and the expenditure of unnecessary taxpayer dollars.	Management should ensure that all petty cash disbursements are supported by proper documentation in accordance with standard accounting procedures of the city's Finance Office [102515.02].	OFM provides EZ-Pass support service to the Mayor's Office and Police Department. Starting FY17, OFM will submit EZ-Pass usage statements to the departments on a quarterly basis for review and approval.
PERSONAL SERVICES <u>Employee overtime was not properly authorized.</u> Auditors found that two employees approved their own overtime in seven of the twenty-five days tested. One of these employees also approved overtime for other employees even though he was not at a supervisory level authorized to perform this function.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel.[102516.01]	OFM's current policy is that all overtime must be approved by the immediate supervisor. To address the auditor's observation, OFM reiterated the overtime policy with all employees and supervisors.
<u>Employee evaluations were still not recently performed.</u> The agency could not provide recent employee evaluations for two of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102513.01].	OFM will take measures to perform employee evaluations for all employees as per civil service regulation.

City of Philadelphia
Department of Licenses and Inspections*
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Licenses and Inspections (L&I) was established by the Philadelphia Home Rule Charter of 1951. It has the power and duty to perform the following functions: administer and enforce all statutes, ordinances, and regulations pertaining to building safety, sanitation, signs, and zoning; issue all licenses required to be obtained from the City of Philadelphia; conduct all inspection functions to determine whether any person or owner of any property is violating the conditions of any license, or whether any property owner is violating any statute, ordinance or regulation; train and maintain a competent force of inspectors; enforce violations found as a result of any inspection; revoke, suspend or cancel any license when the holder is violating the conditions thereof; and make special inspections on request where unlawful conditions are believed to exist. The department is headed by a commissioner appointed by the managing director with the approval of the mayor.

In connection with the powers and duties of L&I, the Charter also established three boards; the Board of License and Inspection Review, the Zoning Board of Adjustment, and the Board of Building Standards. The Board of License and Inspection Review provides citizens adversely affected by the issuance, refusal, suspension, revocation, or cancellation of any license, an orderly due process for a review of actions taken against them. Upon hearing the evidence, the Board renders its decisions in writing. The Zoning Board of Adjustment hears and decides appeals on zoning matters and on special exceptions to the zoning ordinance, and authorizes variances from zoning ordinances when conforming to the ordinances will result in unnecessary hardship. The Board of Building Standards advises the Commissioner of L&I on the interpretation of the city's building code and any regulations relating to building safety and sanitation; suggests changes to regulations; and proposes new and substitute materials for building construction, as well as new methods of construction.

Name and address of agency head

David Perri, Sr., Commissioner
Department of Licenses and Inspections
11th Floor, Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1687

Appropriations:

General Fund	\$32,090,608
Grants Revenue Fund	4,500,000
Community Development Fund	<u>514,818</u>
Total Appropriations	<u>\$37,105,426</u>

Estimated Revenues:

Non – Tax Revenue	\$53,646,000
From Other Governments	<u>5,015,000</u>
Total Estimated Revenues	<u>\$58,661,000</u>

Number of Full Time Employees:

Civil Service	338
Exempt	<u>10</u>
Total Employees	<u>348</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the five civil service employees selected for testing.</p>	<p>Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.</p>	<p>Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102616.01].</p>	<p>The department has increased enforcement of the annual performance report requirement. The department will ensure that supervisors perform this essential management feedback tool.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>For the fourth consecutive year, we reported that city sick leave policy was not enforced.</u> Three of the five employees tested were not placed on the Excessive Use of Sick Leave List after their eighth undocumented sick day. Consequently, these employees continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency could not provide the required eighth-day notification letter to these employees informing them they were being placed on the excessive use of sick leave list.</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [102612.02].</p>	<p>In FY16, the department placed sixteen employees on the Excessive Use of Sick Leave List; however, three employees were not properly placed on the list. The department will continue to enforce the city-wide sick leave policy.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for preparing the fund reconciliation were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the petty cash fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to perform fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102615.01].</p>	<p>Implemented.</p>
<p><u>Documentation supporting personnel time in the field was still incomplete.</u> While management indicated to us that field employees use an electronic timekeeping system to track arrival, departure, and lunch times, management did not provide us with documentation to support this. In addition, management does not require central and district office employees to complete a field destination sheet that would provide information on the employee's location, as well as a telephone number in the event they must be contacted.</p>	<p>If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.</p>	<p>When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [102613.01].</p>	<p>Implemented.</p>

City of Philadelphia
Philadelphia Water Department
Findings and Recommendations
Fiscal Year 2016

Functions

The Philadelphia Home Rule Charter established the Philadelphia Water Department which is one of the 10 operating departments under the direction of the managing director. The department's responsibilities include: operating and maintaining the city's water supply and stormwater system, which includes constructing, maintaining, repairing and improving the city's water supply facilities; operating and maintaining the city's sewage system and wastewater treatment plants; investigating and adopting methods for improving the quality of the water supply; and fixing and regulating rates and charges for supplying water and sewage disposal services. A commissioner and three deputies manage the department.

Name and address of agency head
Debra McCarty, Commissioner
Philadelphia Water Department
ARAMARK Tower, 5th Floor
1101 Market Street
Philadelphia, PA 19107

Appropriations:
Water Fund \$ 367,167,000
Water Residual Fund 34,724,000
Capital Fund 950,242,000
Total Appropriations \$1,352,133,000

Estimated Revenues:
Non-Tax Revenue \$ 38,340,000
From Other Governments 975,000
From Other Funds 138,486,000
Total Estimated Revenues \$177,801,000

Number of Full Time Employees:
Civil Service 2,010
Exempt 5
Total Employees 2,015

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response															
<p>PETTY CASH</p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> The Water Department had a total of nine separate petty cash funds that we tested in 2016. The table below shows four of the nine funds had bank and fund reconciliations that were not prepared within 30 days after the end of the month.</p> <table><tr><th>Field Location</th><th># of Bank Recs. not performed timely</th><th># of Fund Recs. not performed timely</th></tr><tr><td>Bureau of Laboratory Services</td><td>5</td><td>5</td></tr><tr><td>Conveyance</td><td>7</td><td>7</td></tr><tr><td>Meter Shop</td><td>4</td><td>4</td></tr><tr><td>Information Technology</td><td>0</td><td>3</td></tr></table>	Field Location	# of Bank Recs. not performed timely	# of Fund Recs. not performed timely	Bureau of Laboratory Services	5	5	Conveyance	7	7	Meter Shop	4	4	Information Technology	0	3	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city’s Finance Office [102816.01].	PWD Finance monitors the monthly submission of bank and fund reconciliations. Custodians are notified when reconciliation have not been received in a timely fashion. PWD Finance will continue to monitor the preparation and submission of monthly petty cash bank and fund reconciliations.
Field Location	# of Bank Recs. not performed timely	# of Fund Recs. not performed timely																
Bureau of Laboratory Services	5	5																
Conveyance	7	7																
Meter Shop	4	4																
Information Technology	0	3																

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash fund.</u> The agency did not submit a change of petty cash custodian for the Management, Bureau of Laboratory Services, Conveyance, Information Technology, and Facilities Management funds. According to standard accounting procedures of the city's Finance Office, if a petty cash custodian changes, the agency head is required to notify the city's Finance Office and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must also be signed by the new petty cash custodian.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form to the Finance Office whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [102815.01].</p>	<p>In October 2015, PWD Finance submitted Agency Request for Petty Cash and Imprest Changes forms for each petty cash account to the Finance Office. These forms were resubmitted in June 2016, after it was noted that the records were not updated. Proof of the submission was forwarded to the Controller's Office during the audit upon request.</p>
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepared the monthly bank and fund reconciliations for the Bureau of Laboratory Services, Collectors, Conveyance, Material Management, Meter Shop, Facilities Management, and the Water Treatment petty cash funds.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [102815.02].</p>	<p>PWD Finance facilitated a training session with the custodians of the 10 petty cash and imprest accounts of the Water Department. During this session, custodians were given examples on how to properly prepare both the fund and bank reconciliations. PWD Finance will develop additional review and monitoring procedures that will include spot checks of petty cash records and documentation.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Our review of the agency's petty cash records indicated that eleven checks outstanding for more than one year totaling \$2,535.98 were not deposited into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2., requires all moneys that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia - Unclaimed Monies Fund, for the sum of all checks outstanding for over one year, in accordance with standard accounting procedures of the city's Finance Office [102815.03].</p>	<p>PWD Finance facilitated a training session with the custodians of the 10 petty cash and imprest accounts of the Water Department. During this session, custodians were given a manual that contains the petty cash policies and procedures including those pertaining to unclaimed monies. PWD Finance will continue to work with the custodians to resolve issues with outstanding checks.</p>
<p>PERSONAL SERVICES</p> <p><u>Employee overtime was not properly authorized.</u> Of the thirteen employees selected for testing, six employees worked overtime during the periods tested. Of those six employees, two did not have approved overtime request forms or signed overtime sheets showing supervisory approval.</p>	<p>The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.</p>	<p>Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [102816.02].</p>	<p>It is PWD policy and procedure that all overtime is approved by the unit supervisor and manager. Acceptable methods of overtime approval are notifications by email or ultimately the unit supervisor's approval of time records. Management will re-communicate the proper approval procedures for authorized overtime to its unit managers and timekeepers.</p> <p>[Controller's Office Evaluation of Agency's Response: PWD's policy is not in accordance with standard accounting procedures of the city's Finance Office. An email notification or supervisory approval of overtime worked on time records is not sufficient documentation indicating the supervisory authorization for an employee to work overtime hours.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for three of the thirteen civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [102816.03].	For the recent performance cycle, PWD management has reported a completion percentage of over 93%. Management will continue to enforce and monitor the timely preparation and submission of annual performance reports.
<u>Payroll attendance records were not authorized by supervisory personnel.</u> Timecards for two of the thirteen employees selected for testing were not approved by a unit supervisor.	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	Supervisors should review and formally approve (by signing the attendance record) time worked by employees [102816.04].	It is PWD policy and procedure that employee's time records are approved by a unit supervisor or management. Management will re-communicate the proper approval procedures for time records to its unit managers and timekeepers.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> The Water Department was unable to provide leave requests for 6 out of 6 employees who used leave time during the sample pay period.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [102815.04].	Implemented.
<u>Payroll data entries were not adequately checked.</u> The Water Department does not have an employee independent of payroll preparation spot-check data input to the on-line payroll time records to ensure accuracy and completeness. For 3 out of 11 employees tested, auditor found the employee's time per the employee's attendance records did not agree to the online payroll postings.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. This process should be documented [102815.05].	Implemented.

City of Philadelphia
Department of Records
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Records was established by the Philadelphia Home Rule Charter and charged with the creation, maintenance, retention, and disposition of city records. More specifically, it is responsible for: establishing standards and procedures for record keeping and records systems for all departments, boards, commissions, and agencies of the City of Philadelphia; recording legal documents, maintaining real property database records, maintaining the city's tax maps, collecting city and state realty transfer taxes, collecting various fees, and providing copies of police and fire records; managing the citywide acquisitions of reprographic and filing equipment, conducting records-management studies, creating and managing citywide records-retention schedules, designing and controlling city forms, and managing the city's archives and records center; and creating and maintaining photo records of city activities, providing official city identification cards, providing quick-copy duplicating services, and producing engineering-size reproductions. A commissioner, appointed by the mayor, heads the department.

Name and address of agency head
James Leonard, Commissioner
Department of Records
Room 160 City Hall
Philadelphia, PA 19107

Appropriations:
General Fund \$4,822,825
Capital Fund 630,000
Total Appropriations \$5,452,825

Estimated Revenues:
Non-Tax Revenue \$29,700,000

Number of Full Time Employees:
Civil Service 55
Exempt 3
Total Employees 58

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
Payments received via check are not adequately protected against loss. Checks received by the department were not restrictively endorsed "For Deposit Only to the City of Philadelphia."	Failure to restrictively endorse checks needlessly exposes the agency to the risk of loss in the event that checks are lost, misplaced, or stolen.	Restrictively endorse all checks for deposit only to the City of Philadelphia immediately upon receipt [103115.01].	Implemented.

City of Philadelphia
Office of the Director of Finance and Sinking Fund Commission
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the Director of Finance was established by the Philadelphia Home Rule Charter to provide an agency and principal officer responsible for the financial, accounting, and budgeting duties of the executive branch. The Office of the Director of Finance supports a number of department divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Mayor's Office of Grants, and the Administrative Systems Modernization project (OnePhilly); the Office of Budget and Program Evaluation; the Accounting Bureau; Risk Management; and the Office of Property Data. The powers and duties of the Office of the Director of Finance include: maintaining separate accounts for each city appropriation; devising, after consultation with the city controller, a uniform system of accounting for all agencies or individuals receiving city appropriations; supervising the detailed accounting records maintained by city agencies; supervising the accounting for all moneys received and receivable by the city; and issuing an annual financial report within 120 days after the close of each fiscal year. The office of the Director of Finance established a dedicated administrative service center to perform financial processing functions for the Office of Innovation and Technology, Procurement, Treasurer, Youth Commission, Office of Human Resources, and Civil Service Commission. A finance director, appointed by the mayor, heads the agency. The Sinking Fund Commission was established by the Philadelphia Home Rule Charter to invest money and to redeem city bonds. The Sinking Fund Commission consists of a chairman, two commissioners, an experienced investment officer, and an executive director whose salary is budgeted in the Office of the City Treasurer.

Name and address of agency head

Rob Dubow, Director of Finance
Office of the Director of Finance
Municipal Services Building, 13th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Matthew Mazza, Executive Director
Sinking Fund Commission
Municipal Services Building, 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

Finance

General Fund	\$1,337,781,448
Water Fund	117,415,262
Special Gasoline Tax Fund	1,000,000
Grants Revenue Fund	203,800,721
Aviation Fund	63,852,271
Community Development Fund	24,236,559
Acute Care Hospital Fund	343,077
Capital Fund	<u>60,168,000</u>
Total Finance	<u>1,808,597,338</u>

Sinking Fund Commission

General Fund	\$ 245,945,126
Water Fund	227,139,336
Aviation Fund	123,505,128
Car Rental Tax Fund	<u>6,000,000</u>
Total Sinking Fund	<u>602,589,590</u>

Total Appropriations \$2,411,186,928

Estimated Revenues:

Finance

Non-Tax Revenue	\$ 18,445,000
From Other Governments	725,934,000
Revenue From Other Funds	<u>21,137,000</u>
Total Estimated Revenues	<u>\$765,516,000</u>

Number of Full Time Employees:

Finance

Civil Service	95
Exempt	<u>81</u>
Total Employees	<u>176</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Petty cash custodian records were not updated in FAMIS to reflect department level changes.</u> The Mayor's Office, Prisons, and City Planning Commission submitted documentation to the Financial Verification unit of the Finance Department in adherence with the standard accounting procedures of the city's Finance Office. The agency head is required to notify the city's Finance Office, and instruct the outgoing petty cash custodian to reconcile the fund in the presence of the replacement. This fund reconciliation must be signed by the new petty cash custodian acknowledging receipt of the fund as stated.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should promptly update FAMIS to reflect changes from properly submitted Agency Request for Petty Cash and Imprest Changes forms and New Custodian Certification forms whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [103516.01].</p>	<p>Upon receipt of departmental petty cash custodian change forms, it is Finance policy to promptly make the appropriate changes in our records and in FAMIS. It is unclear exactly what occurred in the instances cited, but Finance will redouble efforts to timely record the changes and update FAMIS, as well as to ensure that communication is strengthened between the accounting divisions that record the changes (general accounting and financial verification).</p>
<p>PERSONAL SERVICES</p> <p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for eight of the twenty pay periods tested. For another two pay periods, the individual who entered the payroll data into the on-line payroll system also perform the supervisory review.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [103516.02].</p>	<p>It is the policy of the ASC to ensure that payroll is posted and then reviewed and approved by different employees. If one of the parties is unavailable due to illness or vacation, someone would have signed off at two levels to ensure that employees are paid.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>OTHER EXPENDITURES</p> <p><u>Incorrect use of an IRS tax form may contribute to untimely payments to vendors.</u> To ensure that individuals or entities such as the City of Philadelphia obtain the Taxpayer Identification Number (TIN) of vendors for which they must report amounts paid to the IRS, entities must require vendors to complete IRS form W-9 – <i>Request for Taxpayer Identification Number and Certification</i> (W-9 Form). The city's Finance Office (Finance) inappropriately uses Form W-9 when vendors use a lockbox address or other remittance address to receive payments in lieu of the official business address indicated on the form, which is required by the IRS. Specifically, Finance was requiring contractors to change their official business address on their W-9 Form to their payment address if their payment address did not match what is in the city's accounting system and contract. If the contractor did not comply, they would not get paid. Since the W-9 Form is used to complete the informational return to the IRS, the corporate address should be the address of record on the form. Finance was unable to provide auditors with a policy or procedure on remittance address changes.</p>	<p>The city is at risk of losing established and competent business partners due to unnecessary payment delays. Moreover, if businesses anticipate payment delays, they may factor these delays in their rates and fees.</p>	<p>We recommend that Finance immediately discontinue the practice of requiring vendors to resubmit a W-9 Form when their remittance address is different from their official business address. They should link the remittance address to the official business address within its accounting system so that all payments, regardless of where remitted, are linked to the TIN of the vendor. We further recommend that Finance create a policy to address remittance address changes and consider creating its own form, as well as work with the city's Law department to add language to city contracts that would include remittance address change requirements [103516.03].</p>	<p>We agree that the purpose of the W-9 form is to ensure that we receive a vendor's Taxpayer Identification Number (TIN) so that we may comply with IRS regulations requiring annual issuance and filing of 1099 forms with all amounts paid. For vendors who wish to use a different remit-to address than the actual business address (or that stated in the contract), resubmitting W-9 forms is not required, but proper documentation must be submitted by the department's conformance manager. That information must be submitted to Accounting's Financial Verification Unit, who will add a new suffix to the vendor number in FAMIS to reflect the remit-to address. For professional services contracts, the department must enter into ACIS the new remittance address and the Contracts Unit forwards the information to Financial Verification to update the vendor information in FAMIS. This will ensure that ACIS and FAMIS are consistent. For POs, the department notifies Procurement first and Procurement submits the information to Financial Verification to update FAMIS. Again, this will ensure that information in ADPICS and FAMIS agrees.</p> <p>[Controller's Office Evaluation of Agency's Response: During our testing, department management informed auditors that they require vendors to resubmit a new W-9 Form to change their official business address to their remittance address if the vendor's remittance address is different from the address in the contract.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>Travel expenses using the city's American Express account, were not properly reviewed and approved.</u> City agencies use the American Express account to pay for travel expenses incurred for city business. The Finance Office is responsible for reviewing and approving the travel authorization forms that collectively support the monthly payment to American Express. Our detailed testing of two monthly travel payments in the amount of \$56,000 found that the Finance Office did not:</p> <ul style="list-style-type: none">• Sign the two payment vouchers to document their review and approval of the disbursements. Signatures were missing from the other ten monthly vouchers, as well.• Reconcile travel expenses per the American Express account statements to the travel authorization forms submitted by the departments to ensure that all account charges were valid. Four travel authorization forms were missing from one of the vouchers tested.• Ensure that the travel authorization forms included signatures from authorized department officials, who attest to the necessity of the travel expense. For the two months tested, six travel authorizations were not signed by an agency official and nineteen forms were signed by an employee who was not authorized to approve agency expenditures¹.• Verify that the authorization forms include valid reasons for incurring the travel expenses. We found 18 travel authorization forms, in the two months tested, with missing or unclear reasons why the travel was necessary.	<p>Failure to properly review and approve travel vouchers increases the risk of undetected errors and provides opportunities for employees to incur unpermitted and/or unauthorized travel expenses.</p>	<p>All travel authorization forms should be reviewed and approved by Finance officials prior to payment. This review should include reconciling the American Express account statement to travel authorization forms submitted by departments, ensuring that department officials properly approve the travel forms, and verifying that the American Express account is used for valid purposes [103516.04].</p>	<p>Finance will issue a reminder to all departments that authorized (green card) signatures and valid reasons for incurring travel expenses must be included on all travel-reimbursement forms. Without this information, the forms will not be processed. With regard to reconciling the American Express statement to actual travel authorization forms, Accounting staff do require travel authorization forms for each charge on the American Express invoice. American Express must be paid promptly on time or they will deny any future charges against the account. While adhering to this time frame, it is possible that some reconciling items were missed as noted in your audit.</p> <p>We will work more diligently on the reconciliations to make sure that there are travel authorization forms to match each expense item on the American Express statement.</p>

¹ Per Standard Accounting Procedure E-911, the city requires the use of Signature Authorization Cards to designate employees, of an administrative or executive rank, authorized to approve disbursement of agency funds. The employees in question were not included on their respective agencies' Signature Cards.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>The Code Violations Unit of the Office of the Director of Finance was using an incomplete Policy & Procedures Manual for processing payments.</u> Although the manual was updated in November 2014, it still does not include procedures for processing customer on-line credit card payments.</p>	<p>There is a risk that on-line payments may be incorrectly processed in the absence of written procedures.</p>	<p>We recommend that the Code Violations Unit update their Policy & Procedures Manual to include procedures for processing on-line credit card payments [103513.01].</p>	<p>Implemented.</p>
<p><u>Since our fiscal 2010 report, we have reported that the Office of the Director of Finance has not established and communicated to its employees a formal lateness policy.</u> Finance management's decision not to define the consequences of lateness or establish specific sanctions for repeated lateness violations is contrary to most other city agencies. In our opinion, creating a formal policy proactively guides management and staff on the definition of lateness and the progressive sanctions for violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Compile issue and implement a comprehensive employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy [103510.05].</p>	<p>We continue to believe that Finance should implement an employee lateness policy that clearly defines lateness and progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.</p>

City of Philadelphia
Department of Revenue*
Findings and Recommendations
Fiscal Year 2016

Functions

The Department of Revenue was established by the Philadelphia Home Rule Charter to be responsible for: billing and collecting real estate taxes; collecting income and other taxes; reading water meters and billing and collecting water and sewer rents due to the city; and collecting fees for all city licenses and permits. Under the 1965 Supplement to the Charter, the Department of Revenue is charged with collecting taxes receivable for the benefit of the School District of Philadelphia. The director of finance with the approval of the mayor appoints the revenue commissioner.

Name and address of agency head

Frank Breslin, Commissioner
Department of Revenue
Municipal Services Building, 6th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

General Fund	\$ 25,771,489
Water Fund	16,269,239
Grants Revenue Fund	21,150,000
Acute Care Hospital Fund	<u>45,000</u>
Total Appropriations	<u>\$63,235,728</u>

Estimated Revenues:

Tax Revenue	\$3,075,101,000
Non-Tax Revenue	617,439,000
From Other Governments	<u>35,862,000</u>
Total Estimated Revenues	<u>\$3,728,402,000</u>

Number of Full Time Employees:

Civil Service	557
Exempt	<u>11</u>
Total Employees	<u>568</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eight petty cash bank and fund reconciliations tested during fiscal year 2016 for Water Revenue, three bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [103616.01].</p>	<p>The Budget & Fiscal Unit will begin using QuickBooks software in FY18 as a record keeping tool and to ensure that bank reconciliations are completed timely and follow procedures in accordance with standard accounting procedures of the city's Finance Office.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> A check outstanding more than a year for \$219, was not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [103616.02].	The Budget & Fiscal Unit will stop payment of outstanding checks and transfer those funds to the Unclaimed Monies Fund. The unit will keep track of these checks via QuickBooks software and follow procedures in accordance with standard accounting procedures of the city's Finance Office.
PERSONAL SERVICES <u>City sick leave policy was not enforced.</u> Three of the eight employees tested who had eight or more undocumented sick days, were not placed on the sick abuse list according to the on-line payroll records. These employees, and three others who were placed on the list, continued to use and be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these six employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence and a ten-day suspension after the fourth occurrence. Furthermore, the department could not provide us with the eighth-day notification letter informing five of these employees that they were being placed on the excessive use of sick leave list nor could they provide the fifth day warning letter for one of these employees.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [103616.03].	All Payroll staff have been re-trained in the application of City's Sick Leave policy rules and procedures. Payroll staff has also been instructed to immediately send notifications regarding use of unauthorized sick leave when the payroll system flags an employee's time record. Payroll staff has also been provided a written copy of the Sick Leave Violation Policy.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee overtime was not always authorized.</u> Overtime was paid without evidence that management had approved the requests for two of the thirty-eight sample dates selected for testing. Additionally, the agency could not provide approved overtime authorization forms for four sample dates.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved by supervisory personnel. Documentation of approved overtime should include the name of the employee, as well as the number of hours to be worked [103616.04].	Payroll staff has been reminded not to accept any time records that include overtime without proper approval. Staff has also been reminded to ensure that all overtime requests are accompanied by the required completed authorization forms not on a regular time sheet. Managers and supervisors will also regularly be reminded of the overtime authorization rules and requirements.
<u>Payroll attendance records were not properly authorized by supervisory personnel.</u> In our review of ninety daily attendance records, five records were approved by supervisors on days that they were not present.	Employees may erroneously be paid for time not worked or not paid for time worked.	Supervisors should only approve daily attendance records on the days they are present and can properly account for their employees' time [103616.05].	HR Staff has been reminded to check all attendance records for proper signatures and authorization. In those instances, where supervisors are out of the office, acting supervisors or managers who are responsible for the work group will be required to sign the forms. Managers and supervisors will also regularly be reminded of time and attendance approval rules.
<u>Documentation supporting and authorizing employee leave time was still not routinely prepared.</u> The agency could not always provide formal approved leave requests for seven of the nine employees (or 16 of 24 sample dates) selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [103615.01].	HR staff has been reminded to ensure that all requests for leave are accompanied by properly completed leave slips. An exception would be for employees who have been approved for FMLA and are not required to complete a leave slip when taking FMLA related leave.

City of Philadelphia
Procurement Department*
Findings and Recommendations
Fiscal Year 2016

Functions

The Procurement Department was established by the Philadelphia Home Rule Charter to function as a centralized purchasing agency with the responsibility for purchasing all goods and services for all departments, agencies, boards and commissions that are supported by funds from the city treasury. The department is also responsible for awarding contracts on all public works projects, arranging for disposal of surplus and unserviceable personal property, and maintaining records of all equipment (personal property) owned by the city. The Procurement Department commissioner is appointed by the finance director with the approval of the mayor, and is responsible for the department's operations.

Name and address of agency head
Trevor J. Day, Commissioner
Procurement Department
120 Municipal Services Bldg.
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102 - 1685

Appropriations:
General Fund \$4,837,672
Water Fund 77,383
Total Appropriations \$4,915,055

Estimated Revenues:
Non-Tax Revenues \$749,000

Number of Full Time Employees:
Civil Service 41
Exempt 4
Total Employees 45

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<u>Employee evaluations were not recently performed.</u> The agency could not provide recent employee evaluations for two of the four civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [103816.01].	We will ensure that all employee evaluations have been completed and filed appropriately.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
For the fifth consecutive year, we reported that the <u>agency's lateness policy did not establish progressive sanctions for violations of the policy.</u> While the department's lateness policy defines when an employee is considered late, it does not specify disciplinary actions for those employees who chronically report late to work.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Revise the lateness policy to define progressive sanctions for chronic violations of the policy [103810.04].	Implemented.

City of Philadelphia
Office of the City Treasurer*
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the City Treasurer was established by the Philadelphia Home Rule Charter to be the official custodian of all city cash and securities. The powers and duties of the Treasurer's Office include: maintaining control and managing deposits with banks designated by City Council; disbursing funds upon proper authorization and overseeing the distribution of checks; reconciling city bank accounts; generating reports on receipts, deposits, transfers, withdrawals and investments; investing funds in excess of immediate requirements; and overseeing and managing the city's debt. The city treasurer, appointed by the finance director, manages the agency.

Name and address of agency head
 Rasheia R. Johnson
 City Treasurer
 640 Municipal Services Building
 1401 John F. Kennedy Boulevard
 Philadelphia, PA 19102-1681

Appropriations:
General Fund

\$1,126,357

Estimated Revenues:

Non-Tax Revenues	\$ 4,385,000
From Other Governments	<u>4,951,000</u>
Total Estimated Revenues	\$9,336,000

Number of Full Time Employees:

Civil Service	7
Exempt	<u>9</u>
Total Employees	<u>16</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for eight of the twenty pay periods tested. For another two pay periods, the individual who entered the payroll data into the on-line payroll system also perform the supervisory review.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104016.01].</p>	<p>CTO is part of the Finance ASC cluster. The daily time sheets submitted to the ASC from the CTO are signed off on by a department deputy or the treasurer attesting to the time recorded for employees.</p> <p>Within the ASC, there are separate individuals and backups assigned to the data entry, supervisory, and executive level approvals. While less common, with limited staff, there may be instances where an individual performs both approvals.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy [104012.02].	The Treasurer's Office has established a formal flex time and lateness policy that has been verbally communicated to employees during monthly staff meetings. We will work in conjunction with Finance to formally document the policy and distribute it to all CTO employees.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee evaluations were still not recently performed.</u> The agency could not provide a recent performance evaluation for two of the seven civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104012.04].	Implemented.

City of Philadelphia
Office of the City Representative*
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the City Representative was established by the Philadelphia Home Rule Charter. The Charter provides that the Office of the City Representative shall have the following powers and duties: giving wide publicity to any items of interest reflecting the accomplishments of the city and its inhabitants and the growth and development of its commerce and industry; and acting as the ceremonial representative of the city and the mayor. A city representative, appointed by the mayor, heads the agency.

Name and address of agency head
Sheila Hess, City Representative
Office of the City Representative
One Parkway Building - 12th Floor
1515 Arch Street
Philadelphia, PA 19102

Appropriations:
General Fund \$1,033,931

Estimated Revenues: \$ -0-

Number of Full Time Employees:
Civil Service 4
Exempt 3
Total Employees 7

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entry, supervisory and executive approvals of payroll time record entries were not always segregated.</u> For five of the twenty pay periods tested in fiscal year 2016, the same individual performed the data entry, supervisory and executive-level approvals of the bi-weekly payroll in the on-line system. For four pay periods, the same individual performed the data entry and the supervisory approval.</p>	<p>Failing to segregate incompatible duties and combining multilevel reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104116.01].</p>	<p>Effective in the new administration, and once access was granted to the payroll system, the OCR has three separate individuals assigned to each level of payroll approval to ensure appropriate supervision over the process.</p>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Employee evaluations were still not recently performed.</u> The agency was unable to provide recent employee evaluations for all four civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104113.01].	Civil service employee evaluations are all being administered in FY17 and annually going forward.
<u>For the sixth consecutive year, we are reporting the agency's lateness policy does not establish progressive sanctions for violations of the policy.</u> While the written lateness policy defines lateness, it does not address progressive sanctions for chronic violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement an employee lateness policy that clearly defines progressive sanctions for violations of the policy [104110.04].	The OCR lateness policy is being drafted and will be reviewed by HR in FY17. The policy will be implemented and communicated to staff, effective immediately upon completion.

City of Philadelphia
Office of the Director of Commerce
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the Director of Commerce (Commerce) was established by the Philadelphia Home Rule Charter. The power and duties of Commerce include: promoting and developing the city's commerce and industry and encouraging the increased use of port and airport facilities; maintaining and operating the city's port and airport facilities; and when authorized by City Council, acquiring or constructing additional facilities. Commerce carries out many of its economic development activities through contracts with various quasi-public agencies. The mayor appoints a commerce director to head the agency. Information in this section of the report excludes the Division of Aviation, a segment of Commerce operations on which we report separately.

Name and address of agency head

Harold T. Epps
Director of Commerce
1515 Arch Street – 12th Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$23,057,794
Hotel Tax Fund	62,700,000
Grants Revenue Fund	10,861,802
Community Development Fund	9,404,702
Capital Fund	<u>111,534,000</u>
Total Appropriations	<u>\$217,558,298</u>

Estimated Revenues:

Non-Tax Revenue	\$ 374,000
From Other Governments	20,194,000
Hotel Room Rental Tax	<u>62,700,000</u>
Total Estimated Revenues	<u>\$83,268,000</u>

Number of Full Time Employees:

Civil Service	15
Exempt	<u>10</u>
Total Employees	<u>25</u>

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Monthly petty cash bank reconciliations have still not been performed in a timely manner.</u> Of the nine petty cash bank reconciliations tested during fiscal year 2016, we noted four bank reconciliations were prepared over thirty days after the end of the month.	Failure to timely perform monthly bank reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [104215.01].	As of 08/23/16 when the issue was presented to Commerce in the 2015 audit findings the department has followed the standards around timeliness and accountability.

Observation / Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>The petty cash custodian still did not properly safeguard the petty cash fund.</u> During our review of the agency's petty cash records we noted that an individual, other than the authorized petty cash custodian, was responsible for the custodial duties including fund disbursement and check signing. In addition, this same individual was also responsible for preparing the monthly fund reconciliation.	Failure to properly safeguard the fund increases the risk that the petty cash fund is not secure or accounted for properly. In addition, failure to properly segregate cash custodial and fund reconciliation duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should ensure that the petty cash custodian is responsible for disbursing petty cash funds. Additionally, someone other than the petty cash custodian should perform the monthly fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [104215.02].	We have revisited our standards. Going forward we have redoubled our efforts to ensure that there are more safeguards in place by having a separate custodian, approvers and reconciler who are all separate people so that accountability and standards are followed.
PERSONAL SERVICES <u>Employee evaluations were still not recently performed.</u> The agency could not provide a recent performance evaluation for two of the five civil service employees tested in fiscal year 2016.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104215.03].	The Commerce Department will ensure that all employee evaluations are completed in a timely manner.

City of Philadelphia
Division of Aviation
Findings and Recommendations
Fiscal Year 2016

Functions

The Division of Aviation (DOA), established by the 1951 Philadelphia Home Rule Charter under the city's Commerce Department, operates Philadelphia International Airport and the Northeast Philadelphia Airport. Its functions include maintaining, improving, repairing, and operating city airport facilities and equipment. Additionally, when authorized by City Council, the DOA can acquire, design, and construct facilities. The agency may also grant leases and licenses for the use of airport facilities. The DOA consists of five major units including: Property Management and Business Development; Finance and Administration; Marketing and Public Affairs; Operations and Facilities; and Planning and Environmental Stewardship. It operates principally out of Philadelphia International Airport and the Northeast Philadelphia Airport, but also has several maintenance and warehouse facilities around the vicinity of Island Avenue. A chief executive officer appointed by the mayor and four deputy directors manage the agency.

Name and address of agency head
Chellie Cameron, Chief Executive Officer
Division of Aviation
Philadelphia International Airport
Terminal D, Third Floor
Philadelphia, PA 19153

Appropriations:
Aviation Fund \$ 183,445,841
Capital Fund 848,529,000
Total Appropriations \$1,031,974,841

Estimated Revenues:
Non-Tax Revenues \$427,771,000
From Other Funds 2,500,000
From Other Governments 4,500,000
Total Estimated Revenues \$434,771,000

Number of Full Time Employees:
Civil Service 747
Exempt 5
Total Employees 752

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Employee travel expenses over \$100 were disbursed from petty cash.</u> During our review of petty cash expenditures, we observed the agency issued a travel reimbursement for parking expenses in the amount of \$119.	Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city's Finance Office [104316.01].	We have reviewed the Petty Cash SAP with our employees. This information will be relayed on a regular basis as personnel may change. Going forward, travel expenses of over \$100 will not be disbursed from Petty Cash.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Employee overtime was not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The agency could not provide overtime authorization forms for nine of the forty samples selected for testing.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104316.02].	We will review overtime procedures with all employees. Also, periodic reminders will be sent to supervisors and managers that overtime slips are required. Often times certain units will not have advanced notice of overtime due to the nature of the job. Due to this fact, PHL will define a post-approval process and also identify the reason for the overtime.
<u>City sick leave policy was still not enforced.</u> None of the five employees tested were penalized according to the City's Sick Leave Rules and Regulations after being placed on the Excessive Use of Sick Leave List. These employees continued to use and be paid for both certified and uncertified sick leave in violation of the policy. The agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. We also noted that the agency was unable to provide a fifth day warning letter for one of the employees, and an eighth day sick abuse letter for three of the five employees tested.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [104313.01].	We continue to train all administrative and payroll staff on sick leave rules and regulations. In addition, HR staff will review current training materials and evaluate future training needs.
<u>For the fourth consecutive year, we are reporting that employee evaluations were still not recently performed.</u> The agency was unable to provide recent employee performance evaluations for any of the six civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [104310.01].	We will continue to train employees and emphasize the importance of preparing performance evaluations. This will be done in conjunction with additional emails and communication with supervisors and managers.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for catering services for a “Years of Service Award Ceremony.” Even though the city’s Finance Office approved the expenditure, city policy restricts the use of petty cash to “material or services necessary for the department to perform its function.” Historically, this policy has been interpreted to mean that petty cash cannot be used for personal expenses such as employee meals.	The improper use of petty cash funds resulted in the expenditure of taxpayer dollars for a purchase which is not permitted under standard accounting procedures of the city’s Finance Office.	Petty cash funds should only be disbursed for allowable purchases in accordance with standard accounting procedures of the city’s Finance Office [104315.01].	Implemented.

City of Philadelphia
Law Department*
Findings and Recommendations
Fiscal Year 2016

Functions

The Law Department was established by the Philadelphia Home Rule Charter to serve as the legal advisor to the mayor, City Council, and all agencies of city government in civil matters. Other responsibilities include representing the city in litigation, preparing and approving contracts and bonds, investigating alleged violations of statutes and ordinances, and drafting ordinances. The Home Rule Charter mandates that the city solicitor shall be a lawyer admitted to practice before the Supreme Court of Pennsylvania and shall have at least five years of experience in the active practice of law. The city solicitor is appointed by the mayor, with the advice and consent of the majority of the members of city council. The city solicitor, with the written approval of the mayor, appoints the first deputy city solicitor, and the chairs of the corporate and tax group, the social services group, and the litigation group.

Name and address of agency head
Sozi Pedro Tulante, City Solicitor
Law Department
17th Floor, One Parkway Building
1515 Arch Street
Philadelphia, PA 19102

Appropriations:
General Fund \$14,642,276
Water Fund 3,240,830
Aviation Fund 2,020,599
Community Development Fund 154,637
Total Appropriations \$20,058,342

Estimated Revenues:
Non-Tax Revenue \$400,000
From Other Governments 155,000
Total Estimated Revenues \$555,000

Number of Full Time Employees:
Civil Service 37
Exempt 248
Total Employees 285

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Department failed to deposit petty cash overage with the Department of Revenue.</u> During our review of petty cash expenditures, we observed 23 transactions that were voided but still reimbursed.	Failure to return excess petty cash funds to the Department of Revenue primarily caused by the reimbursement of voided checks, resulted in an overage of \$901.58. In addition, carrying a fund overage unnecessarily complicates the bank reconciliation process.	We recommend that management deposit the overage with the Department of Revenue in accordance with standard accounting procedures of the city's Finance Office [104416.01].	We will follow the procedures outlined in the SAP. If overages occur, we will deposit the overage amounts to the General Fund as the SAP notes.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Petty cash purchases exceeded the \$500 spending limit.</u> The agency purchased various records from the PA Department of Health-Vital Records Division on nine occasions totaling \$1,496. Although the city's Finance Office approved the expenditures, this practice violates the Finance Office's Standard Accounting Procedures for the use of petty cash funds.	The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.	We recommend that management submit to the city's Finance Office a Special Need for Purchasing Exception (S.A.P. 4.1.1.d exhibit A) for the specific purpose of obtaining the various documents required for the agency's legal proceedings where these documents are typically needed on an urgent basis [104416.02].	An imprest account is being created to process these payments.
PERSONAL SERVICES <u>Duties for processing personal services expenditures were still not adequately segregated.</u> The employee who obtains and distributes paychecks also maintains the employee folders and approves appointments, terminations and rate changes.	Failure to segregate incompatible duties increases the risk for undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Duties for processing personal services expenditures should be adequately segregated [104415.03].	The distribution of paychecks has been reassigned to another staff member as of the beginning of FY 18.
<u>City sick leave policy was still not enforced.</u> While the Law Department adopted and enforced the city's Sick Leave Abuse policy for its civil service employees, exempt employees are not subject to the same policy and continued to use and be paid for uncertified sick leave without being subject to the same sanctions and disciplinary measures. Of the 42 department employees meeting or exceeding the city's eight-day limit on undocumented sick leave for calendar year 2015, 41 were classified as exempt. Three employees in particular, each of whom used in excess of 20 undocumented sick days received \$10,521 in paid sick leave.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to design, implement and enforce such a policy may lead to some employees abusing sick time.	We continue to recommend that the Law Department design, implement and enforce a sick leave policy for its exempt employees. The policy should be specific in terms of defining abuse, include employee counseling, and specify the sanctions that will occur when abuse takes place [104413.01].	Ad Board rules do not require the sick leave policy for exempt employees.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>For the fifth consecutive year documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide formal approved leave requests for four of the five employees selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [104411.02].	All employees are reminded to submit this information. We will stress the importance with senior management.
<u>For the sixth consecutive year we are reporting that supervisory and executive level approvals of payroll time record entries were not always segregated.</u> The same employee performed both the supervisory and executive level approvals of the bi-weekly payroll for six of the twenty pay periods tested.	Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Assign different individuals to perform the supervisory and the executive level approvals of the bi-weekly payroll [104410.03].	Our policy is to have 3 different individuals at all times, but when absences occur in the approval chain, we are sometimes required to have the same person approve two levels in order avoid payroll delays.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Monthly petty cash fund reconciliations were not performed.</u> During fiscal year 2015, the agency did not perform seven petty cash fund reconciliations in the nine months we tested.	Failure to timely perform monthly fund reconciliations timely increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [104415.01].	Implemented.
<u>Monthly petty cash fund reconciliations have not been independently reviewed and approved.</u> Neither of the two petty cash fund reconciliations that were prepared during fiscal year 2015 were reviewed and approved by a supervisory level individual.	Failure to review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.	Monthly petty cash fund reconciliations should be independently reviewed and approved by an individual separate from both the petty cash custodian and the individual who prepared the fund reconciliation in accordance with standard accounting procedures of the city's Finance Office [104415.02].	Implemented.

City of Philadelphia
Board of Ethics
Findings and Recommendations
Fiscal Year 2016

Functions

The Board of Ethics was established by an amendment to the Philadelphia Home Rule Charter approved by the voters on May 16, 2006. The Board of Ethics is responsible for enforcing city campaign finance, financial disclosure, lobbying and conflict of interest laws, as well as rendering advice, investigating complaints and issuing fines. The Board is also responsible for providing guidance and education on ethics rules to the entire city workforce, as well as to city vendors. In addition, the Board promotes greater transparency in government by overseeing financial disclosures of city officials and by publishing campaign finance disclosures of elected officials and candidates. The Board consists of five, non-paid members appointed by the mayor with the advice and consent of the majority of City Council. The members, who serve staggered terms of five years, elect a chair and such other officers as they deem necessary. The Board appoints an executive director, counsel, and such other staff members as may be required to exercise its powers and fulfill its obligations.

Name and address of agency head

J. Shane Creamer, Jr., Esquire
Executive Director
Board of Ethics
One Parkway Building
1515 Arch Street, 18th Floor
Philadelphia, PA 19102-1504

Appropriations:

General Fund \$1,066,989

Estimated Revenues:

Non-Tax Revenue \$57,000

Number of Full Time Employees:

Civil Service 4
Exempt 7
Total Employees 11

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>An overage exists in the agency's petty cash account.</u> Our review of the agency's petty cash indicated an overage in the amount of \$139.10. Upon further review, we found that the overage was caused by an overdraft of the account, which was subsequently closed by the bank after the petty cash custodian deposited her own money into the account to bring the balance to zero. Additionally, the agency has petty cash reimbursements approved by Finance that are pending because the agency does not have an active bank account in which to deposit the funds.</p>	<p>Failure to reconcile the petty cash fund indicates that errors or irregularities have occurred and remain undetected, and may also indicate that the fund is not being properly handled.</p>	<p>We recommend that the agency open a bank account, in order to deposit the pending petty cash transactions, in accordance with standard accounting procedures of the city's Finance Office [104515.01]. In addition, management should ensure that its employees refrain from depositing personal funds to replenish or increase its petty cash fund, as required by the standard account procedures of the city's Finance Office [104515.02].</p>	<p>The Board sought the assistance of the Finance Department on opening a bank account and completing the pending petty cash transactions in October 2016 and April 2017. The Board has not yet received instructions from Finance. Once the Board receives instructions from the Finance Department, it will close the petty cash account and complete all pending transactions. The Board does not intend to maintain a petty cash account once this process has been completed. In addition, employees have been instructed about the Finance Office procedures for petty cash accounts.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Separations from the payroll system were not effected through adequately reviewed formal authorizations.</u> We noted that a formal separation report was not prepared for a terminated employee.	Failure to prepare a formal separation report authorizing the termination of an employee could result in a separated employee remaining in the payroll system after termination.	Separations from the payroll system should be effected through adequately reviewed formal authorizations [104516.01].	The Board has submitted a request for approval to process the Report of Separation. Once approval is received, the Board will process the Report of Separation through Oracle. For any employee separation in the future, the Board will ensure that a formal separation report is timely prepared.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Employee overtime was not authorized.</u> Overtime was paid without evidence that the employee's request was approved. The agency was unable to provide approved overtime authorization forms for four of the five employees (fourteen sample dates) tested.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [104515.03].	Implemented.

City of Philadelphia
Philadelphia Youth Commission
Findings and Recommendations
Fiscal Year 2016

Functions

The Philadelphia Youth Commission (Youth Commission) was established on June 4, 2007 to represent the city's youth in public hearings and give testimony that reflects the youth perspective. It serves as a conduit for youth action and advises the mayor, city council, Philadelphia public schools, and other key decision makers inside and outside city government. It does this by: commenting on legislation and policies that impact youth; creating public service programs that improve the lives of youth; monitoring and measuring the effectiveness of youth programs and policies; partnering with neighborhood and youth organizations on shared issues; and preparing youth for leadership through appropriate training. The Youth Commission is composed of 21 members between 12 and 23 years of age, and is represented by an executive director who is appointed by the mayor.

Name and address of agency head
Ricardo Calderon, Executive Director
Philadelphia Youth Commission
1401 John F. Kennedy Boulevard
16th Floor, Room G
Philadelphia, PA 19102

Appropriations:
General Fund \$142,740

Estimated Revenues: \$ -0-

Number of Full Time Employees:
Exempt 1

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
No conditions were noted.			

City of Philadelphia
Office of the Inspector General
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the Inspector General (OIG) was established by Executive Order in May 1984 to constitute an investigative arm within the executive branch of Philadelphia government. The OIG is designated as an independent executive office with authority to receive and investigate criminal and/or serious integrity-related complaints of fraud, corruption, and abuse involving city employees and officials, and others doing business with the City of Philadelphia. The OIG's mission is to enhance public confidence in the integrity of the city government by establishing and implementing procedures for reporting, investigating, and resolving complaints of fraud, corruption, and abuse of office; to provide leadership and guidance in recommending programs and policies which educate and raise awareness of all city officials and employees to integrity and ethics-related issues; and to provide assistance to the respective department and agency heads on all integrity and ethics-related matters through its support of the City-wide Integrity Officer System. An inspector general, who is appointed by and reports directly to the mayor, manages the agency.

Name and address of agency head
Amy L. Kurland, Inspector General
Office of the Inspector General
The Curtis Center
601 Walnut Street, Suite 300 East
Philadelphia, PA 19106

Appropriations:
General Fund \$1,668,811

Estimated Revenues: \$ -0-

Number of Full Time Employees:
Exempt 19

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>Payroll data entry and supervisory and executive reviews of payroll time record entries were still not always segregated.</u> For two of the twenty pay periods we tested in fiscal year 2016, the same person performed both data entry and the supervisory level approval of payroll. For another pay period, one person performed all three duties: data entry, supervisory review, and executive approval.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increases the risk of undetected errors and provides opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [104812.01].</p>	<p>In March 2016, the OIG hired an administrative assistant to complete the data entry duties. There is a now a 3 level approval system in place.</p>

City of Philadelphia
Philadelphia City Planning Commission
Findings and Recommendations
Fiscal Year 2016

Functions

The Philadelphia City Planning Commission (PCPC) was established by the Philadelphia Home Rule Charter to guide the orderly growth and development of the city. Its duties, as defined in the charter, include the preparation of: a comprehensive plan of the city (the Physical Development Plan) and subsequent modifications to it; the capital program and budget; proposed zoning ordinances and amendments; and regulations governing the subdivision of land. PCPC has nine members, six appointed by the mayor and three who serve ex-officio: the managing director, the director of finance, and the director of commerce. The Home Rule Charter stipulates that at least five of the appointed members hold no other public office, position or employment. Members of PCPC elect a chairperson, and employ a full-time executive director. For budgetary purposes, PCPC is divided into five divisions: Community Planning, Strategic Planning and Policy, Development Planning and Zoning, Urban Design, and Geographic Information System. PCPC staff consists of architects, planners, and urban designers who are supported by administrative, clerical, and geographic information system personnel. The staff helps PCPC provide a comprehensive overview of planning issues affecting the growth and development of the city. In addition, the PCPC advises the mayor and City Council on all legislation affecting zoning ordinances, the Physical Development Plan, land subdivision, or legislation that authorizes the acquisition or sale of city real estate. PCPC also conducts environmental analyses of all city projects utilizing federal funds, reviews development plans for the Wissahickon Watershed in Northwest Philadelphia, and is responsible for the administrative activity of the Philadelphia Art Commission.

Name and address of agency head

Gary Jastrzab, Executive Director
Philadelphia City Planning Commission
One Parkway Building
1515 Arch Street, 13th Floor
Philadelphia, PA 19102

Appropriations:

General Fund	\$2,504,778
Grants Revenue Fund	1,432,067
Community Development Fund	<u>280,000</u>
Total Appropriations	<u>\$4,216,845</u>

Estimated Revenues:

Non-Tax Revenues	\$ 359,000
From Other Governments	<u>1,354,000</u>
Total Estimated Revenues	<u>\$ 1,713,000</u>

Number of Full Time Employees:

Civil Service	33
Exempt	<u>2</u>
Total Employees	<u>35</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<p><u>For the sixth consecutive year, we are reporting that payroll data entry and supervisory and executive reviews of payroll time record entries were not always segregated.</u> For six of the twenty pay periods tested in fiscal year 2016, the same person performed both the supervisory and executive level approvals of payroll. For one of these periods, the same person also initiated entries to the system, thereby performing all three duties. We also noted that another individual performed supervisory approval on the payroll data she entered into the on-line payroll system for one pay period.</p>	<p>Failing to segregate incompatible duties and combining multilevel approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105110.04].</p>	<p>The PCPC has a very limited number of authorized payroll signers. When payroll needs to be signed off and one or more signers are unavailable, a signer may need to sign off for two levels. Effective July 1, 2017, PCPC will be part of the Department of Planning and Development which will provide for additional approvers at each level to help ensure the proper segregation of duties.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepared the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [105115.01].</p>	<p>Implemented.</p>
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the twelve petty cash bank and fund reconciliations tested during fiscal year 2015, we noted that four bank and fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure that monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105115.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year totaling \$140 were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. E-4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.	Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. In addition, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.	We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for one year, in accordance with standard accounting procedures of the city's Finance Office [105115.03].	Implemented.

City of Philadelphia
The Free Library of Philadelphia
Findings and Recommendations
Fiscal Year 2016

Functions

The Free Library of Philadelphia (Library), initially created through private donations, was established as a nonprofit corporation under state law in 1891. In 1894, the City of Philadelphia established a public library system as a branch of city government. This action permitted the existing library system to receive city appropriations. Because the Library consists of two distinct entities, the nonprofit corporation and the city agency, it is organized under two governing boards: the Board of Directors of the Free Library of Philadelphia Foundation and the Board of Trustees of The Free Library of Philadelphia. The Board of Directors manages the affairs of the corporation and controls several collections and the major portion of all endowments benefiting the Library. The Board of Trustees is the public board responsible for the operation of the city's library system. The mission of the city agency is to: provide to all segments of the city's diverse population a comprehensive collection of recorded knowledge, ideas, artistic expression, and information in a variety of media, including current technology; assure ease of access to these materials; and provide programs to stimulate the awareness and use of these resources. A president/director is appointed by and serves at the discretion of the Board of Trustees.

Name and address of agency head

Siobhan A. Reardon, President and Director
The Free Library of Philadelphia
1901 Vine Streets
Philadelphia, PA 19103-1189

Appropriations:

General Fund	\$40,100,988
Grants Revenue Fund	8,514,044
Capital Fund	19,014,000
Total Appropriations	<u>\$67,629,032</u>

Estimated Revenues:

Non-Tax Revenue	\$1,484,000
From Other Governments	<u>8,514,000</u>
Total Estimated Revenues	<u>\$9,998,000</u>

Number of Full Time Employees:

Civil Service	643
Exempt	<u>1</u>
Total Employees	<u>644</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, totaling \$885.20, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [105216.01].</p>	<p>The department voided the uncashed checks in the amount of \$885.20 and issued a check to the City of Philadelphia in accordance with standard accounting procedures.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE <u>Revenue was still not recorded in the proper fiscal period.</u> Library fine revenue received during fiscal year 2016 was not validated and recorded in the city's accounting system until fiscal year 2017.	Revenue recorded in fiscal year 2016 was understated by \$23,000.	Management should determine what caused the Library fine revenue to be incorrectly recorded and take appropriate corrective action to prevent such errors from occurring in the future [105215.01].	The deposit in the amount of \$23,000 was deposited on June 30, 2016, but did not post to the system until July 5, 2017. Going forward and whenever possible depending on the revenue receipt date, we will strive to deposit any receipts as early as possible before June 30, so that revenue will be recorded in the correct fiscal year.
PERSONAL SERVICES <u>Payroll data entry and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For four of the nineteen pay periods tested in fiscal year 2016, the same employee performed both the supervisory and executive level approvals in the on-line system. In addition, for three pay periods, the same person entered the payroll data and performed the supervisory level review.	Failure to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105216.02].	Management will ensure that payroll data entry, supervisory, and executive approvals of payroll time record entries are segregated moving forward.
<u>Employee overtime was still not properly authorized.</u> Overtime was paid without evidence that management had approved the number of hours or the reasons supporting the overtime requests. The agency could not provide overtime authorization forms for seventeen of the twenty-four samples selected for testing.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [105215.02].	Management will ensure that all overtime is properly approved by supervisors in writing moving forward.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>For the fifth consecutive year, we are reporting the agency's lateness policy did not establish progressive sanctions for violations.</u> While the department had a written lateness policy, the policy did not establish sanctions for repeated lateness violations.	By not establishing uniform and consistent consequences for repeated violations of the lateness policy, the agency may not be able to effectively maintain discipline over staff work times. This could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Revise the lateness policy to define progressive sanctions for violations of the policy. Issue the revised policy to employees and implement the progressive sanctions for violations of the policy [105211.03].	Management will revise the lateness policy to include progressive sanctions for violations of the policy. Management will issue the revised policy to employees and implement the progressive sanctions for violations.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Documentation supporting and authorizing employee leave time still was not routinely prepared.</u> The agency was unable to provide formal approved leave requests for any of the five employees selected for testing.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105211.01].	Implemented.
<u>City sick leave policy still was not enforced.</u> All five employees tested had eight or more undocumented sick days, however only two employees were placed on the excessive use of sick leave list and none were penalized in accordance with the city's sick leave policy. These employees continued to use and be paid for certified and uncertified sick leave in violation of the city's sick leave policy. In addition, the agency should have counseled these employees and imposed the applicable penalties: a one-day suspension after the second occurrence, and a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. The employee is subject to discharge after the fifth occurrence.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrence. Accordingly, we recommend that the city's sick leave policy notification requirements, and any subsequent sanctions set forth in the policy, be adopted and enforced by management [105210.02].	Implemented.

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
We also noted that the agency did not issue the required fifth-day warning letter or the eight-day letter informing them that they were being placed on the excessive use of sick leave list for four of the five employees.			

City of Philadelphia
Commission on Human Relations
Findings and Recommendations
Fiscal Year 2016

Functions

The Commission on Human Relations (CHR) consists of two separate and distinct commissions: Human Relations Commission (HRC) and the Fair Housing Commission (FHC). The HRC has nine commissioners appointed by the mayor. It was established under the 1951 Philadelphia Home Rule Charter to enforce the Philadelphia Fair Practices Ordinance. The ordinance prohibits discrimination in the areas of employment, housing, public accommodations, and the provision of city services. The ordinance makes it unlawful to discriminate in these areas because of race, color, gender, religion, age, sexual orientation, national origin, ancestry, disability, marital status, and gender identity. In housing, the Philadelphia Fair Practices Ordinance makes it unlawful to additionally discriminate because of the source of income and the presence of children. The FHC has five commissioners appointed by the mayor. It was created by the Philadelphia Code and empowered to enforce the city's Fair Housing Ordinance. That ordinance prohibits landlords from engaging in unfair housing practices. Such practices may include evicting a tenant or raising a tenant's rent if a property where a tenant is living violates the city's housing code. An executive director, appointed by the mayor, heads the CHR. The CHR has four major divisions: Community Relations, Compliance, Administration, and Fair Housing.

Name and address of agency head
Rue Landau, Esquire
Executive Director
Commission on Human Relations
601 Walnut Street, Suite 300 South
Philadelphia, PA 19106

Appropriations:
General Fund \$2,147,096

Estimated Revenues:
From Other Governments \$125,000

Number of Full Time Employees:
Civil Service 31
Exempt 1
Total Employees 32

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Duties for preparing the bank and fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepared the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than custodian to prepare the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [105415.01].</p>	<p>Our Administrative Officer is now the petty cash custodian. Our Clerical Supervisor 2 prepares the bank and fund reconciliations.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES			
<p><u>For the sixth consecutive year, we are reporting that payroll data entry and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For the twenty pay periods tested in fiscal year 2016 we observed:</p> <ul style="list-style-type: none"> • Six pay periods when the same employee performed the supervisory and executive-level approvals of the bi-weekly payroll. • One pay period in which the same employee entered the bi-weekly payroll into the payroll system and then completed the supervisory approval. • One pay period when the same employee performed data entry, as well as the supervisory and executive level approvals of the bi-weekly payroll, thereby performing all three duties. 	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105410.03].</p>	<p>This has been corrected. Due to our small staff size, when one of the three cited staff is out of the office, the other two must perform multiple duties so that payroll can be completed. We have now received approval for our Deputy Director of Compliance to sign off at a supervisory/executive level as a backup.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Monthly petty cash bank and fund reconciliations have not been performed in a timely manner.</u> Of the eleven petty cash bank and fund reconciliations tested during fiscal year 2015, we noted that six bank reconciliations and five fund reconciliations were prepared over thirty days after the end of the month.</p>	<p>Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.</p>	<p>Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [105415.02].</p>	<p>Implemented.</p>
<p><u>Payroll attendance records were not authorized by supervisory personnel.</u> We noted that there was no supervisory signature indicating approval of the individual employee bi-weekly attendance records for two of the eight employees we tested.</p>	<p>Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.</p>	<p>Supervisors should review and formally approve (by signing the attendance record) time worked by employees [105415.03]. Additionally, the payroll unit should also be required to review the daily attendance records for evidence that the appropriate approval was obtained [105415.04].</p>	<p>Implemented.</p>

City of Philadelphia
Office of Human Resources and Civil Service Commission
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of Human Resources (OHR) and the Civil Service Commission carry out the central personnel functions of the City of Philadelphia. Although the two agencies interact with one another, they each have separate and distinct functions. The OHR, which was established by the Philadelphia Home Rule Charter, carries out the specific tasks of the city's centralized personnel program. In this capacity, the office assists other city agencies in such matters as: attracting and developing a well qualified and diverse workforce; planning for current and future workforce needs; developing and implementing programs to improve human resource management in city government; maintaining accurate employee records, both electronic and paper-based; maintaining lists of candidates for civil service employment to supply on-going needs; and promoting workforce diversity by conducting recruitment and developing outreach programs for disabled and minority job candidates. A human resources director, appointed by the Civil Service Commission, manages the agency.

Established by the Home Rule Charter as an independent commission, the Civil Service Commission oversees the system of personnel administration governing the appointment, promotion, demotion, transfer, lay-off, removal, and discipline of city employees. Its primary responsibility is to advise both the mayor and the human resources director on human resources management issues, but other responsibilities include: ruling on proposed civil service regulations and any modifications to existing regulations, position classifications and pay plans; serving as an appellate tribunal for employee appeals involving demotion, lay-off, or disciplinary action; and ruling on requested exemptions from civil service regulations. The Civil Service Commission consists of three members. The mayor appoints each member from a list submitted by a nominating panel to serve a six-year term. These terms are overlapping with one member appointed every two years.

Name and address of agency head

Pedro Rodriguez, Director
Office of Human Resources
Municipal Services Building, 15th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Doris A. Smith, Chairperson
Civil Service Commission
Municipal Services Building, 16th Floor
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102

Appropriations:

Office of Human Resources

General Fund

\$6,433,623

Civil Service Commission

General Fund

\$177,937

Estimated Revenues:

Office of Human Resources

Non-Tax Revenue

\$2,000

Number Full Time of Employees:

Office of Human Resources

Civil Service

76

Exempt

6

Total Employees

82

Civil Service Commission

Civil Service

2

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>Monthly petty cash bank reconciliations have not been performed correctly.</u> During our review, we observed that the book balance was being carried from month to month, and did not accurately reflect the actual checkbook balance.	Failure to properly prepare bank reconciliations increases the risk that error or irregularities may have occurred and remain undetected.	Management should provide training to the individual preparing the agency's petty cash bank reconciliations to ensure they are properly performed [105616.01].	The Office of Human Resources will work with the Finance Department's Administrative Services Center to ensure appropriate monthly reconciliation of the petty cash fund.
PERSONAL SERVICES <u>The on-line payroll time records were not reviewed to ensure that separated employees were removed in a timely manner.</u> Our testing revealed that two separated employees, one in OHR and the other in Department of Public Property an agency within the shared Services Program ² were incorrectly paid for time after their termination dates. While the agencies subsequently found the errors and notified the city's Finance Office to initiate reimbursement procedures, documentation supporting this action was only provided for the OHR employee.	Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the payroll time records accurately reflect the status of all separated employees [105616.02].	The Office of Human Resources accepts the Controller's recommendation.
<u>Employee evaluations were still not recently performed.</u> The agency could not provide recent employee evaluations for any of the five civil service employees selected for testing.	Failure to provide management feedback to employees on an annual basis may impact opportunities for employee advancement, or where required, corrective actions.	Require the preparation of annual employee evaluations for all civil service employees by supervisory personnel [105615.01].	OHR agrees with the Controller on the importance of the annual report and will aim for 100% compliance.

² Under the Shared Services Program, some payroll related functions (e.g. timekeeping, record keeping, appointments, separations, etc.) for the participating agencies are handled by designated personnel within the OHR, rather than employees within the individual agencies.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Documentation supporting and authorizing employee leave time still was not routinely prepared for some of the agencies within the Shared Services Program.</u> OHR could not provide authorized leave requests for three out of five employees tested for the Department of Public Property.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [105612.02].	<p>OHR staffers use email to request time off, and other departments are doing that as well. Leave time is then noted and approved by the employee's supervisor and noted on the timesheet/timcard. The Office of Human Resources' payroll staff only posts leave time indicated on an approved timesheet/timcard.</p> <p>[Controller's Office Evaluation of Agency's Response: OHR's use of email and notation on the timesheet or timecards is not in accordance with standard accounting procedures of the city's Finance Office. A properly approved leave request should document the supervisor's approval of the employee's request for paid time off. The agency was unable to provide auditors with documentation that the employee's supervisor approved the employee's leave time.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response																																				
<p><u>For the fifth consecutive year, we are reporting that payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> During our review of fiscal year 2016, we noted OHR and certain agencies within the Shared Services Program, failed to segregate bi-weekly payroll duties. Table 1 illustrates the segregation of duty exceptions for the following agencies within the Shared Service Program, as well as for the Office of Human Resources.</p> <table border="1"> <thead> <tr> <th colspan="4">Table 1: Segregation of Duty Exceptions</th></tr> <tr> <th colspan="4">Number of occurrences</th></tr> <tr> <th>City agency</th><th>Payroll data entry and supervisory approval</th><th>Payroll data entry and executive approval</th><th>Supervisory and executive approval</th></tr> </thead> <tbody> <tr> <td>Mural Arts</td><td>7</td><td>1</td><td>2</td></tr> <tr> <td>Public Property</td><td>1</td><td>0</td><td>2</td></tr> <tr> <td>Fleet Management</td><td>1</td><td>0</td><td>2</td></tr> <tr> <td>OHR</td><td>4</td><td>0</td><td>1</td></tr> <tr> <td>Civil Service Commission</td><td>4</td><td>0</td><td>1</td></tr> <tr> <td>Office of Sustainability</td><td>5</td><td>0</td><td>1</td></tr> </tbody> </table> <p>Source: Prepared by the Office of Controller</p>	Table 1: Segregation of Duty Exceptions				Number of occurrences				City agency	Payroll data entry and supervisory approval	Payroll data entry and executive approval	Supervisory and executive approval	Mural Arts	7	1	2	Public Property	1	0	2	Fleet Management	1	0	2	OHR	4	0	1	Civil Service Commission	4	0	1	Office of Sustainability	5	0	1	<p>Failing to segregate incompatible duties and combining multi-level reviews increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105611.01].</p>	<p>In FY2016, OHR had three employees with supervisory review authorization and three managers with the authority to perform the executive review. These managers attempted to ensure that someone other than the person who performed the supervisory review performs the executive review, although as noted, they did not always succeed. The Shared Services Pilot was disbanded in January, 2017, however, so the payroll for which OHR is responsible is greatly reduced. This issue should not recur in the future.</p>
Table 1: Segregation of Duty Exceptions																																							
Number of occurrences																																							
City agency	Payroll data entry and supervisory approval	Payroll data entry and executive approval	Supervisory and executive approval																																				
Mural Arts	7	1	2																																				
Public Property	1	0	2																																				
Fleet Management	1	0	2																																				
OHR	4	0	1																																				
Civil Service Commission	4	0	1																																				
Office of Sustainability	5	0	1																																				

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>City sick leave policy was still not enforced.</u> OHR did not always place employees of certain agencies within the Shared Services Program on the excessive use of sick leave list when they reached eight undocumented sick days. Nor did they penalize those employees in accordance with the city's sick leave policy. We also noted OHR could not always provide us with documentation that it issued the required fifth day warning letter or the eighth day notification letter informing the employee that he or she was being placed on the excessive use of sick leave list. Table 1 shows the policy was not always enforced for the following shared-services agencies:</p>	<p>The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.</p>	<p>The effective use of sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be enforced by management [105612.01].</p>	<p>Implemented.</p>
<p>Table 1: Sick Leave Policy Not Enforced</p>			
<p>Number of employees</p>			
City agency	No 5th day warning letter	No 8th day notification letter	Sick abuse penalties not enforced
Innovation and Technology	2	1	2
Fleet Management	0	2	2
Human Resources	1	1	1
Procurement	2	0	0
<p>Source: Prepared by the Office of Controller</p>			

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries still were not adequately checked.</u> There was no evidence that someone independent of the payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily time sheets for both OHR and the Office of Mural Arts. Attendance records for two of five OHR employees and one of eight Mural Arts employees tested did not agree to the on-line postings. Additionally, we were unable to test the postings for one of the Mural Arts employees sampled because the agency was unable to provide the employee's attendance records.</p>	<p>Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Require someone independent of payroll preparation to spot check data entries by referencing back to the daily attendance records. The process should be documented [105611.02].</p>	<p>Implemented.</p>
<p><u>Since our fiscal 2010 report, we have reported that OHR's lateness policy still does not establish progressive sanctions for violations of the policy.</u> While the written lateness policy defines lateness, it does not address progressive sanctions for chronic violations of the policy.</p>	<p>The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.</p>	<p>Revise the lateness policy to define progressive sanctions for chronic violations of the policy [105610.01].</p>	<p>We continue to believe that OHR should implement an employee lateness policy that clearly defines progressive sanctions for violations of the policy. Because, after six years, management has made a conscience decision not to do so, we will no longer comment on this condition in future reports. However, we will continue to monitor the agency's employees for potential lateness abuse.</p>

City of Philadelphia
Office of Property Assessment
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of Property Assessment (OPA) was created by City Council Ordinance Number 090706, approved by the mayor on January 23, 2010. The OPA is responsible for assessing and valuing all real property within Philadelphia, while the Board of Revision of Taxes handles appeals of those assessments. Other duties of the OPA include: ensuring the annual revision and equalization of all assessments; certifying all assessments after their revision and equalization; determining tax exemptions, administering the city's tax abatement programs; and maintaining an addressed-based property information database. A Chief Assessment Office, appointed by the mayor and approved by City Council, directs the operation of the agency.

Name and address of agency head
Michael Piper, Chief Assessment Officer
Office of Property Assessment
601 Walnut Street, Suite 300 West
Philadelphia, PA 19106

Appropriations:
General Fund \$13,285,146

Estimated Revenues:
Non – Tax Revenue \$2,000

Number of Full Time Employees:
Civil Service 192

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Long outstanding petty cash checks were not deposited into the city's Unclaimed Monies Fund.</u> Checks outstanding more than a year, totaling \$74.50, were not transferred into the City of Philadelphia's Unclaimed Monies Fund. The city's unclaimed money procedure specified in Standard Accounting Procedure (SAP) No. 4.1.2. requires all monies that remain unclaimed for one year or more to be deposited with the Revenue Department.</p>	<p>Failure to follow the SAP increases the risk that long outstanding checks would not be forwarded timely to the state in violation of the Commonwealth's Unclaimed Property Law. Also, carrying old outstanding checks unnecessarily complicates the bank reconciliation process.</p>	<p>We recommend that management place a stop payment order and draw a transfer check payable to the City of Philadelphia – Unclaimed Monies Fund, for the sum of all checks outstanding for over one year in accordance with standard accounting procedures of the city's Finance Office [105916.01].</p>	<p>OPA has reported the overage consistently. We recently sent employees to the Petty Cash training offered by Finance and determined the proper procedure for handling overages. We will submit the necessary documents to have the money deposited with the Revenue Department.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE RECEIPTS <u>Instructions to standardize the real estate valuation assessments process (precepts) were not updated annually.</u> Precepts provide direction to property assessors and are designed to ensure uniform practices and procedures in the assessment of values to real estate parcels. In accordance with PA statute, the precepts must be updated and re-issued annually. The last year precepts were issued was for tax year 1992.	Without clear guidance, improper re-assessments may occur without detection.	Update and issue precepts annually to all real estate evaluators as required by the Commonwealth of Pennsylvania's legislative code at 72 P.S. §5341.7 [105912.01].	We have begun updating the precepts. They are approximately 50% complete. We expect them to be completed by the beginning of FY18. We have assigned an employee to specifically work on this project as the precepts require significant updates.
PERSONAL SERVICES <u>City sick leave policy was not enforced.</u> Two of the five employees we selected for testing who had eight or more undocumented sick days, were not placed on the excessive use of sick leave list. These two employees, and one other who was placed on the list, continued to be paid for both certified and uncertified sick leave in violation of the city's sick leave policy. The agency should have counseled these three employees and imposed the applicable penalties: a one-day suspension after the second occurrence, a three-day suspension after the third occurrence, and a ten-day suspension after the fourth occurrence. Employees are subject to discharge after the fifth occurrence. We also noted that the agency could not provide us with the eighth-day notification letters for two of the employees tested.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy be enforced by management [105915.02].	We changed the reporting responsibility of the timekeeper to directly report to the HR Manager. We will re-train the timekeeper on the sick leave policy and institute a management oversight process to ensure that the policy is fully implemented in a timely manner.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>For the fourth consecutive year, we are reporting that payroll data entry and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For three of the twenty pay periods tested in fiscal year 2016, the same employee performed the supervisory and executive level approvals of payroll. For one pay period, the same employee performed the data entry and executive level approval. Lastly, for one pay period the same employee entered payroll information and performed the supervisory level approval.	Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [105912.02].	OPA has a small Administrative team that is responsible for payroll. On occasion, if one of the parties was unavailable, someone would have signed off at two levels. We have cross-trained the entire administrative staff to be able to process payroll. We will ensure that we have multiple people with the ability to approve at each level.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The on-line payroll time records were not reviewed to ensure that a separated employee was removed in a timely manner.</u> Our testing revealed that a separated employee was incorrectly paid for a full bi-weekly salary after his termination date. The agency subsequently found the error and immediately notified the city's Finance Office who was able to reverse the payment for the two weeks of salary before the direct deposit was processed.	Errors may occur and not be detected during the normal process of preparing the bi-weekly payroll which could allow separated employees to be paid erroneously.	Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries ensure that the payroll time records accurately reflect the status of all separated employees [105915.01].	Implemented.

City of Philadelphia
Board of Revision of Taxes
Findings and Recommendations
Fiscal Year 2016

Functions

The Board of Revision of Taxes was created by the Pennsylvania legislature and charged with providing market valuations of all real estate within Philadelphia and administering the tax assessment process. As a result of a Reorganization Ordinance passed by City Council in 2009, and a subsequent Pennsylvania Supreme Court decision, the city's Office of Property Assessment was made responsible for assessing and valuing all real property; and the Board of Revision of Taxes was made responsible for hearing and rendering decisions on appeals of those assessments. The Board of Revision of Taxes also supports a three member Board of View that hears and renders decisions for condemnation (eminent domain) appeals.

Name and address of agency head

Carla Pagan, Executive Director
Board of Revision of Taxes
601 Walnut Street, Suite 325 East
Philadelphia, PA 19106

Appropriations:

General Fund

\$855,554

Estimated Revenues:

Non – Tax Revenue

\$1,000

Number of Full Time Employees:

Civil Service

2

Exempt

10

Total Employees

12

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p><u>PERSONAL SERVICES</u></p> <p><u>For the fourth consecutive year, we are reporting that supervisory and executive approvals of payroll time record entries were not always segregated.</u> We found that the same individual performed both the supervisory and executive level approvals of the bi-weekly payroll for all twenty pay periods tested.</p>	<p>Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.</p>	<p>Assign different individuals to perform the supervisory and the executive level approvals of the bi-weekly payroll [106312.01].</p>	<p>It is highly unlikely that we will ever have more than two staff people in our department participate in payroll duties. We've only had four, full time staff people working in the department.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>The on-line payroll time records were not reviewed to ensure a separated employee was removed.</u> Our testing revealed a separated employee remained on the city's payroll and was paid for eleven days after her termination date.	The separated employee was paid for time not worked totaling \$2,107.	Require someone independent of payroll preparation to review the on-line payroll time records to ensure separated employees are removed [106313.01]. In addition, we recommend the agency submit a payroll credit advice to the city's Finance department to recover the overpayment of wages paid to the separated employee [106313.02].	Implemented.

City of Philadelphia
Register of Wills
Findings and Recommendations
Fiscal Year 2016

Functions

The Register of Wills was incorporated into city government through the City-County Consolidation Amendment to the Pennsylvania Constitution adopted November 6, 1951. The Register of Wills, who is elected to a four- year term, has the following responsibilities: probating wills; granting letters testamentary appointing executors of wills and letters of administration appointing administrators for estates of persons who died without leaving a will; approving and filing the accounts of executors and administrators; and recording all wills, accounts, inventories and appraisals of estates. In addition, the Register of Wills also serves as the Clerk of Orphans' Court, a division of the Court of Common Pleas. As the Clerk of Orphans' Court, the Register supervises the Marriage License Bureau and issues marriage licenses; keeps a record of Orphans' Court proceedings; and performs associated administrative duties.

Name and address of agency head
Honorable Ronald R. Donatucci
Register of Wills
City Hall, Room 180
Philadelphia, PA 19107

Appropriations:
General Fund

\$3,522,195

Estimated Revenues:

Non – Tax Revenue

\$3,700,000

Number of Full Time Employees:

Exempt

67

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>Duties for preparing bank and fund reconciliations were still not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepares the bank and fund reconciliations.</p>	<p>Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.</p>	<p>Management should assign a person other than the petty cash custodian to perform the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106815.01].</p>	<p>No response was received by management.</p>

City of Philadelphia
District Attorney's Office*
Findings and Recommendations
Fiscal Year 2016

Functions

The District Attorney's Office (DA) represents the citizens of Philadelphia and the Commonwealth of Pennsylvania in criminal proceedings throughout the Philadelphia and Commonwealth court system. On behalf of the City and County of Philadelphia, the DA prosecutes trial and appellate level litigation of all criminal and some ancillary civil matters that arise within the jurisdiction. Together with the Police Department and the Courts, the DA represents one facet of Philadelphia's criminal justice system. The DA is also responsible for preparing an annual County Asset Forfeiture Report and a Federal Drug Forfeiture Report of confiscated property obtained through drug seizures.

Name and address of agency head

Kathleen Martin
Acting First Assistant District Attorney
Three South Penn Square
Philadelphia, PA 19107-3499

Appropriations:

General Fund	\$35,482,214
Grants Revenue Fund	<u>16,710,342</u>
Total Appropriations	<u>\$52,192,556</u>

Estimated Revenues:

Non-Tax Revenue	\$10,002,000
From Other Governments	<u>6,824,000</u>
Total Estimated Revenues	<u>\$16,826,000</u>

Number of Full Time Employees:

Civil Service - Uniformed	20
Civil Service - Civilian	68
Exempt	<u>447</u>
Total Employees	<u>535</u>

Observation Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PETTY CASH</p> <p><u>An unauthorized individual was responsible for the physical custody and operation of the agency's petty cash fund.</u> The employee performing the duties of the custodian not the person listed in the city's accounting system (FAMIS). The person responsible for issuing checks and submitting for reimbursements should match the name that is listed in FAMIS.</p>	<p>Failure to appropriately assign a petty cash custodian increases the risk that the petty cash fund is not secure or accounted for properly. In addition, if the duties, as well as the fund, were not properly signed over to the new petty cash custodian, the responsibility for safeguarding the asset still resides with the previous petty cash custodian.</p>	<p>Management should submit to the Finance Office an Agency Request for Petty Cash and Imprest Changes form and a New Custodian Certification form whenever the petty cash custodian changes, in accordance with standard accounting procedures of the city's Finance Office [106916.01].</p>	<p>We will designate the appropriate personnel to be named custodian based on the clarification we received regarding this issue. We will submit to Finance our correction plan regarding the custodian and proper segregation of duties prior to submitting the appropriate change forms.</p>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>Duties for preparing the fund reconciliations were not adequately segregated.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also prepared the monthly fund reconciliations for the District Attorney's petty cash funds.	Failure to segregate incompatible duties increases the risk of undetected errors and creates opportunities for a person to perpetrate and conceal irregularities when performing normal duties.	Management should assign a person other than the petty cash custodian to prepare the fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [106916.02].	We agree with the finding that fund reconciliations were being performed by the custodian of the account. We made the change immediately once this was brought to our attention during the audit.
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for services from Comcast. Even though the city's Finance Office approved the expenditure, payments for services from Comcast should be purchased through the Office of Innovation and Technology's direct purchase agreement.	The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [106916.03].	Prior to the audit, we were not aware that OIT had a direct purchase agreement nor are we aware of the method used by the City to communicate this information to city departments.
PERSONAL SERVICES <u>Daily attendance record postings were not always properly authorized.</u> In our review of 80 daily attendance records, we noted that: <ul style="list-style-type: none"> • 34 records (43%) showed the supervisor approving his/her own time. • 10 records (13%) were not approved at all. • 8 records (10%) were approved by supervisors on days that they were not present. 	Employees may erroneously be paid for time not worked or failed to be paid for time that was worked.	The payroll unit should be required to review the employee/daily attendance records for evidence that the appropriate approval was obtained [106916.04]. Supervisors should review and formally approve (by signing the attendance record) time worked by employees [106916.05]. Finally, management should appoint other individuals to approve attendance records in the absence of unit supervisors [106916.06].	We agree that the payroll unit should require records for appropriate approval. The correction has been made. We also agree that management should appoint other individuals to approve attendance records in the absence of the unit chief.
<u>A formal lateness policy was still not established and communicated to employees.</u> There was no written lateness policy available to guide management and staff on the definition of lateness and the progressive sanctions for violations of the policy.	The agency may not be able to effectively maintain discipline over staff work times, which could lead to employee abuses by reporting to work late and/or not fulfilling a complete work day.	Compile, issue, and implement a comprehensive employee lateness policy that clearly defines lateness and the progressive sanctions for violations of the policy [106912.02].	The office has found no need for a lateness policy. We have consistently and progressively disciplined employee lateness.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>City sick leave policy was still not enforced.</u> The District Attorney's Office still has not designed and implemented a sick leave policy for its staff, most of who are classified as exempt employees. While the District Attorney's exempt staff is not subject to the same policy for its civil service employees, we noted that of the 65 department employees meeting or exceeding the city's eight-day limit on undocumented sick leave for calendar year 2015, 58 were classified as exempt. Two employees in particular, used over 20 and 39 days of undocumented sick days, totaled \$8,780 in paid sick leave. Additionally two of the four civil service employees tested were not placed on the Excessive Use of Sick Leave List after the eighth undocumented sick day, nor did they receive an eighth-day warning letter.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [106915.01].	No response was provided by management that was applicable to the fiscal year 2016 audit condition.
<u>Employee overtime still was not authorized.</u> Overtime was paid without evidence that management approved the requests. The agency could not provide approved authorization forms for any of the twenty-five sample dates selected.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [106912.01].	No response was provided by management that was applicable to the fiscal year 2016 audit condition.
<u>For the fifth consecutive year, we are reporting that documentation supporting and authorizing employee leave time was not routinely prepared.</u> The agency was unable to provide authorized leave requests for any of the eight employees tested.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval in accordance with standard accounting procedures of the city's Finance Office [106911.01].	The office policy is that leave be requested in advance. The written requests are kept by the supervisor and not forwarded to Payroll. The written approval of the supervisor is indicated on the approved timesheet.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<u>For the fifth consecutive year, we are reporting that documentation supporting personnel time in the field was incomplete.</u> When employees work outside the office, management does not require that they complete a field destination sheet that would provide information on where the employees are working, as well as a telephone number in the event they must be contacted.	If personnel time in the field is not adequately controlled and accounted for, employees could be paid for time not worked.	When performing work duties outside the office, employees should be required to use call in/out procedures and field destination sheets [106911.02].	The office's work is performed in large part by professionals practicing in the Criminal Justice Center. We have not found the risk/potential effect to be borne out in practice over the course of several decades.
<u>For the sixth consecutive year, we are reporting that payroll data entries were not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entries by referencing back to the daily attendance records. The process should be documented [106910.01].	We plan to implement this practice in FY 2018.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>Payroll data entry and supervisory and executive approvals of payroll time record entries were not always segregated.</u> The same employee performed the data entry into the on-line payroll system while also performing the supervisory level approval for seven of the twenty pay periods tested. In addition, another employee performed the data entry and executive level approval for one pay period.	Failure to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.	Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [106913.01].	Implemented.

City of Philadelphia
Office of the Sheriff
Findings and Recommendations
Fiscal Year 2016

Functions

The Office of the Sheriff was created by Article 9, Section 4 of the Pennsylvania constitution and established as part of the Philadelphia city-county government through the adoption of the Home Rule Charter of 1951. The sheriff is the highest elected law-enforcement official of the city. He is also a member of the Jury Selection Board. The responsibilities of the Sheriff's Office include the following: transporting and escorting prisoners to and from Philadelphia courtrooms; providing courtroom security for Municipal and Common Pleas Courts; conducting real and personal property sales, as well as collecting and disbursing fees and funds related to such activities; and serving and executing writs and warrants and enforcing injunctions. The sheriff, with the assistance of an executive staff, oversees various organizational divisions that include: Internal Affairs, Criminal Operations, Civil Operations, Training, Finance, and Human Resources.

Name and address of agency head
Honorable Jewell Williams, Sheriff
Office of the Sheriff
100 South Broad Street – 5th Floor
Philadelphia, PA 19110

<u>Appropriations:</u>		<u>Estimated Revenues:</u>	
General Fund	\$ <u>19,203,247</u>	Non-Tax Revenue	\$ <u>9,250,000</u>
 <u>Number of Full Time Employees:</u>			
		Civil Service	317
		Exempt	<u>19</u>
		Total Employees	<u>336</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH <u>The agency's petty cash continued to remain missing.</u> In previous years, the Sheriff's Office paid employees for travel expenses by making advances from its petty cash account. No documentation for these costs was ever submitted from these employees. In our fiscal years 2006 and 2005 audit report, we recommended that action should be taken to recover the amounts directly from the employees. Our current year testing found the \$10,000 of petty cash funds remained missing.	By not holding someone accountable for the agency's petty cash fund, \$10,000 remains missing.	We recommend that the Sheriff's Office solicit the city's Finance Office's assistance to resolve the missing petty cash funds [107015.01].	The Sheriff has not had a petty cash account since taking office in 2012. Activities of the prior Sheriff are subject to a Federal criminal trial scheduled to take place this fall. Matters concerning the terminated Petty Cash account may be a topic of that trial. Resolution cannot be made until the trial is concluded. The City Finance Director has been made aware this outstanding matter.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Supervisory and executive approvals of payroll time record entries still were not always segregated.</u> For six of the twenty pay periods tested in fiscal year 2016, the same individual performed both the supervisory and executive-level approvals of the bi-weekly payroll in the on-line payroll system.	Combining multi-level approvals undermines the objective of the review process. Systematic errors may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Assign different individuals to perform the supervisory and executive level approvals of the bi-weekly payroll [107015.02].	The Under Sheriff has assigned the duties of payroll approval to different officers in the Sheriff's Office.
OTHER EXPENDITURES <u>Employee travel reimbursements were not properly reviewed for propriety.</u> Newly hired deputies in the Sheriff's Office are required to travel to Penn State for 760 hours of basic training in accordance with the Sheriff and Deputy Sheriff Education and Training Act (1984 Act 2) of the Commonwealth of Pennsylvania. In our testing of three deputies' travel reimbursements for this training, we noted that: <ul style="list-style-type: none">• Routes travelled did not reflect the shortest distance between travel points or official mileage points (when toll roads are used), as required by the city's Administrative Board regulations for travel reimbursement.• The reimbursement vouchers and supporting expense worksheets did not contain evidence of prior management approval, as required by the city's Administrative Board for travel outside of the city and costing over \$500.• Travel reimbursements were not submitted timely, often several months to over a year after the training was received.	Failure to properly review employee reimbursements increases the risk of undetected errors and provides opportunities for a person to misrepresent expenses on the reimbursable expense vouchers. We found that the three deputies we tested received mileage reimbursements exceeding what was allowed by Administrative Board regulations totaling \$2,015.	Prior to reimbursement, vehicle expense worksheets supporting the mileage recorded on an employee expense voucher should be reviewed by the Sheriff's accounting unit to ensure that the correct rates and mileage calculations are used. [107016.01]. Additionally, approval for travel outside of the city should be pre-approved by management in accordance with Administrative Board Rule #2 [107016.02]. Travel reimbursements should also be submitted on a timely basis to ensure that the expenditures are paid with the correct year's appropriations [107016.03]. Finally, Sheriff management should maintain a list of deputies attending	Reimbursement procedures were an ongoing subject of dispute between the City and the Fraternal Order of Police. We believe that the procedure has been agreed upon by all parties. However in FY 2017, the Sheriff provides van transportation for those Deputies going to Penn State for training. Supplying vehicle transportation should end the need for establishing agreed upon routes, mileage and reimbursements.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>(continued)</p> <p>Additionally, Sheriff 's Office management was unable to provide us with a comprehensive list of employees attending this training by date, which made it difficult to determine if the employees were actually incurring travel expenses or carpooling with other deputies.</p>		<p>basic training, and the dates they are scheduled, so that they can match the list against all travel reimbursements to ensure that deputies are only requesting reimbursements for required training and only for legitimate expenses associated with using their own vehicle [107016.04].</p>	
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>Payroll data entries for separated employees were not always checked.</u> Our testing revealed a separated employee remained on the city's payroll and was paid for five days after their termination date. The agency subsequently discovered the error and was able to deduct the five days of overpayment from the employee's termination pay.</p>	<p>Errors occurred and were not detected by the agency during the normal process of preparing the bi-weekly payroll. This resulted in the erroneous bi-weekly payroll payment to a separated employee.</p>	<p>Require that employees assigned to approve the bi-weekly payroll and spot check the appropriateness of payroll data entries, ensure that the payroll time records accurately reflect the status of all separated employees [107015.03].</p>	<p>Implemented.</p>

City of Philadelphia
City Commissioners Office
Findings and Recommendations
Fiscal Year 2016

Functions

The City Commissioners Office was originally created as a county office under Article 9, Section 4 of the State Constitution. It became part of city government by way of the 1951 City-County Consolidation Amendment to the State Constitution. In addition, the 1963 amendment to the First Class City Home Rule Act gave City Council the power to pass legislation with regard to operations of the City Commissioners Office. These enactments were further enabled by the 1965 City-County Consolidation Ordinance of City Council. The City Commissioners Office is responsible for voter registration and conducting local elections. Its three commissioners, two of whom currently serve as chair and vice-chair, are elected to a four year term. The commissioners are also members of the County Board of Elections.

Name and address of agency head
Honorable Anthony Clark, Chair
City Commissioners Office
City Hall, Room 132
Philadelphia, PA 19107

Appropriations:
General Fund \$ 9,663,243
Grants Revenue Fund 900,000
Total Appropriations \$10,563,243

Estimated Revenues:
Non-Tax Revenue \$ 25,000
From Other Governments 900,000
Total Estimated Revenues \$925,000

Honorable Al Schmidt, Vice-Chair
City Commissioners Office
City Hall, Room 134
Philadelphia, PA 19107

Number of Full Time Employees:
Civil Service 77
Exempt 15
Total Employees 92

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PETTY CASH			
<u>Use of petty cash violated city policy.</u> During our review of petty cash expenditures, we observed the agency disbursed petty cash funds for services from Comcast. Even though the city's Finance Office approved the expenditure, payments for services from Comcast should be purchased through the Office of Innovation and Technology's direct purchase agreement.	The improper use of petty cash funds resulted in the expenditure of funds which are not allowed to be processed through petty cash.	We recommend that management refrain from approving petty cash expenditures for unallowable purchases [107316.01].	Even though the city's Finance Office approved the use of petty cash for this purpose, we agree with this recommendation and it has recently been implemented.
<u>Monthly bank and fund reconciliations still have not been performed.</u> Since 2008, when the current petty cash custodian assumed responsibility for the fund, we noted no monthly bank reconciliations had been performed and only one fund reconciliation was prepared at the time of our audit.	Failure to timely perform monthly bank and fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner. In addition, the total petty cash balance may not be accounted for.	Management should ensure monthly petty cash bank and fund reconciliations are timely prepared in accordance with standard accounting procedures of the city's Finance Office [107315.01].	We agree with this recommendation and are taking steps to ensure that bank and fund reconciliations are performed on a monthly basis.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
<p>PERSONAL SERVICES</p> <p><u>For the sixth consecutive year, we are reporting payroll data entry, and supervisory and executive approvals of payroll time record entries were not always segregated.</u> For seven of the twenty pay periods tested, the same employee performed the data entry, provided the supervisory review and supplied the executive level approval to the on-line payroll records. On another occasion, a different employee performed both the data entry and the supervisory review. Finally, on another occasion, a third employee performed data entry and provided the executive level approval, despite the employee not having the required security level to perform the approval task.</p>	<p>Failing to segregate incompatible duties and combining multi-level approvals increase the risk of undetected errors and provide opportunities for a person to perpetrate and conceal irregularities during preparation of the bi-weekly payroll.</p>	<p>Assign different individuals to perform the data entry, and the supervisory and executive level approvals of the bi-weekly payroll [107310.07]. Ensure that the person performing the executive level approval has the appropriate security level to perform this task. [107316.02]</p>	<p>This recommendation had been implemented. We are working to improve our process so that the unavailability of particular employees does not preclude us from maintaining compliance.</p>
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<p><u>A petty cash purchase was split in an effort to evade the \$500 spending limit.</u> The agency circumvented the \$500 petty cash limit established by the Director of Finance, by splitting the purchase of eight folding tables between two vendors with payments of \$415 and \$474 respectively.</p>	<p>Improperly using petty cash funds for purchases above the spending limit reduces the city's purchasing power to obtain the best value for goods and services. In addition, there are expenditure processing controls in place for purchases above specific amounts to reduce the risk of unauthorized or unnecessary payments.</p>	<p>We recommend that management refrain from splitting invoices to circumvent the \$500 petty cash spending limit in accordance with standard accounting procedures of the city's Finance Office [107315.02].</p>	<p>Implemented.</p>

CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS (continued)			
Prior Observation/Condition	Risk/Potential Effect	Recommendation	Corrective Action
<u>City sick leave policy was not enforced.</u> One of the five employees tested was not placed on the Excessive Use of Sick Leave List after the eighth undocumented sick day. Consequently this employee was paid for certified sick leave in violation of the city's sick leave policy. We also noted the agency was unable to provide the fifth-day warning letter for three employees.	The purpose of the sick leave policy is to curtail unnecessary or arbitrary use of sick leave by city employees. Failure to enforce the policy may lead to some employees abusing sick time.	The effective use of the sick leave policy relies upon the continuous notification to employees that sanctions may result from excessive occurrences. Accordingly, we recommend that the city's sick leave policy, including employee counseling and any subsequent sanctions set forth in the policy, be adopted and enforced by management [107315.03].	Implemented.
<u>For the fourth consecutive year, we are reporting payroll data entries were still not adequately checked.</u> There was no evidence that someone independent of payroll preparation was spot-checking data entries made to the electronic payroll time record system by reference to the daily attendance sheets.	Systematic errors or irregularities may occur and not be detected during the normal process of preparing the bi-weekly payroll.	Require someone independent of payroll preparation to spot-check data entry by referencing back to the daily attendance records. This process should be documented [107311.04].	Implemented.
<u>For the fifth consecutive year, we are reporting employee overtime was not authorized.</u> Overtime authorization slips were not provided for any of the five employees selected for testing. The agency does not utilize overtime authorization slips, but rather uses email for authorization of overtime requests. Upon our review of the email documentation provided, we noted that the overtime authorization did not specifically name the employees requesting overtime nor did it specify the number of hours of overtime requested.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved by supervisory personnel. Documentation of approved overtime should include the name of the employee, as well as the number of hours to be worked [107310.05].	Implemented.

City of Philadelphia
First Judicial District of Pennsylvania
Findings and Recommendations
Fiscal Year 2016

Functions

The Philadelphia court system originates in various Commonwealth of Pennsylvania laws. The Pennsylvania Constitution of 1968 and the Judiciary Act of 1976 established the Common Pleas and Municipal Courts. In June 2013, the Pennsylvania General Assembly abolished the Philadelphia Traffic Court and transferred its jurisdiction to the Municipal Court. These courts are part of the state's unified judicial system and constitute Pennsylvania's First Judicial District (FJD). Among the primary responsibilities of the FJD are trial jurisdiction for civil and criminal cases and adjudication of traffic violations. Other responsibilities include domestic relations matters, juvenile cases, estate and trust matters, landlord and tenant matters, and code enforcement cases. An eight-member administrative governing board is responsible for the daily operations of the FJD.

Name and address of agency head

Honorable Sheila Woods-Skipper, President Judge
First Judicial District of Pennsylvania
City Hall, Room 386
Philadelphia, PA 19107

Appropriations:

General Fund	\$110,315,300
Grants Revenue Fund	<u>58,306,929</u>
Total Appropriations	<u>\$168,622,229</u>

Estimated Revenues:

Non-Tax Revenue	\$ 43,148,000
From Other Governments	<u>64,621,000</u>
Total Estimated Revenues	<u>\$107,769,000</u>

Number of Full Time Employees:

Civil Service	4
Exempt	<u>2,329</u>
Total Employees	<u>2,333</u>

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
REVENUE			
<u>Revenue was received but not recorded in the city's accounting system.</u> A Traffic Court wire transfer for traffic fines was received by the Treasurer's Office, but was not recorded in the city's accounting system.	Revenue recorded in fiscal year 2016 was understated by \$101,948.53.	Management should determine what caused the Traffic Court fee revenue to not be recorded and take appropriate corrective action to prevent such errors from occurring in the future [108416.01].	The Traffic Division was given access to FinWeb on September 16, 2016 to review wires entered into FAMIS. Since then, the division has ensured that the city is entering the wire transfers correctly.

Observation/Condition	Risk/Potential Effect	Recommendation	Agency's Response
PERSONAL SERVICES <u>Documentation supporting and authorizing employee leave time was not routinely prepared.</u> Formal leave requests were not provided for paid leave taken by three of the five employees we tested.	Failure to obtain formal leave requests may result in misclassified leave balances and increases the chance of erroneously failing to recognize leave time taken. In addition, unanticipated employee absences may result in subpar unit performance.	Require employees to formally submit leave request forms for supervisory review and approval [108415.03].	The implementation of the new HR system, Sage, should eliminate this issue. With the Sage system, non-judicial staff will be required to submit their leave requests through the Employee Self-Service system. Once the request is approved, the system will date and time stamp the approval.
CORRECTIVE ACTION ON PRIOR YEAR OBSERVATIONS/CONDITIONS			
<u>Monthly petty cash bank and fund reconciliations had not been independently reviewed and approved.</u> During our review of the agency's petty cash records, we noted that the petty cash custodian also reviews the bank and fund reconciliations.	Failure to independently review and approve monthly fund reconciliations increases the risk that errors or irregularities may occur and not be detected in a timely manner.	Management should assign a person other than the petty cash custodian to independently review and approve the bank and fund reconciliations in accordance with standard accounting procedures of the city's Finance Office [108415.01].	Implemented.
<u>Employee overtime was not properly authorized.</u> In our review of the agency's attendance records, we noted that two employees approved their own overtime.	The risk of having employees work overtime on a discretionary basis may result in the expenditure of unnecessary payroll dollars. Institutionalized discretionary overtime may result in lax work habits during the normal work day, resulting in a loss of efficiency.	Management should enhance controls over payroll by ensuring that all overtime is properly approved in writing by supervisory personnel [108415.02].	Implemented.

	City Council	OIT	Office of the Mayor	DHCD	CEO	MDO	Police Department	Department of Streets	Fire Department	Public Health	DBH/IDS	Parks / Recreation	Public Property	DHS	Philadelphia Prisons	OHS	Fleet Management	Licenses & Inspections	Water Department	Records Department	Finance / Sinking Fund	Revenue Department	Procurement Department	City Treasurer	City Representative	Director of Commerce	Division of Aviation	Law Department	Board of Ethics	Youth Commission	OIG	City Planning / Zoning	Free Library	Human Relations	OHR / Civil Service	OPA	BRT	Register of Wills	District Attorney's Office	Sheriff's Office	City Commissioners	First Judicial District					
Petty Cash																																															
Inadequate documentation of disbursements						✓						✓					✓																		✓												
Inadequate segregation of duties			✓					✓	✓				✓	✓					✓															✓						✓	✓						
Unauthorized custodian														✓		✓			✓		✓																			✓							
Untimely performance of reconciliations			✓		✓	✓			✓	✓						✓			✓			✓						✓														✓					
Inadequate approval of reconciliations					✓								✓																																		
Improper safeguarding/commingling of funds			✓						✓			✓				✓	✓											✓			✓																
Improper Disbursements	✓					✓		✓	✓	✓		✓		✓	✓	✓	✓											✓	✓												✓		✓				
Checks not deposited in Unclaimed Monies			✓			✓	✓	✓	✓	✓		✓		✓		✓			✓			✓												✓		✓											
Revenue and Receipts																																															
Inadequate monitoring of fees									✓																																						
Inadequate duty segregation						✓						✓																																			
Incomplete documentation																																															✓
Untimely deposits						✓																																									
Untimely recording of deposits																																			✓												
Inadequate policies and procedures								✓	✓																												✓										
Personal Services																																															
Inadequate documentation of paid leave			✓								✓	✓										✓							✓							✓					✓				✓		
Accuracy of payroll not checked			✓																																						✓						
Incomplete documentation																													✓												✓						
Improper supervisory review			✓	✓				✓											✓		✓										✓										✓						
Inadequate lateness policy	✓					✓						✓				✓									✓	✓									✓							✓					
Employee overtime not properly authorized			✓					✓				✓	✓	✓			✓		✓		✓								✓					✓									✓				
Inappropriate handling of unclaimed checks								✓																																							
Attendance sheets improperly used								✓				✓																																			
Inadequate duty segregation			✓					✓						✓							✓				✓	✓			✓				✓	✓	✓	✓	✓	✓				✓	✓				
Sick leave policy was not enforced	✓							✓	✓	✓	✓	✓		✓	✓			✓				✓						✓	✓							✓				✓							

APPENDIX I: SUMMARY OF FINDINGS

	City Council	
	OIT	✓
	Office of the Mayor	
	DHCD	✓
	CEO	
	MDO	
	Police Department	✓
	Department of Streets	✓
	Fire Department	✓
	Public Health	✓
	DBH/IDS	✓
	Parks / Recreation	✓
	Public Property	✓
	DHS	
	Philadelphia Prisons	
	OHS	
	Fleet Management	✓
	Licenses & Inspections	✓
	Water Department	✓
	Records Department	
	Finance / Sinking Fund	✓
	Revenue Department	
	Procurement Department	✓
	City Treasurer	
	City Representative	✓
	Director of Commerce	✓
	Division of Aviation	✓
	Law Department	
	Board of Ethics	
	Youth Commission	
	OIG	
	City Planning / Zoning	
	Free Library	
	Human Relations	
	OHR / Civil Service	✓
	OPA	
	BRT	
	Register of Wills	
	District Attorney's Office	
	Sheriff's Office	✓
	City Commissioners	
	First Judicial District	
Employee evaluations not performed		✓
Payments made to separated employees		✓
Other Expenditures		
Disbursements not properly reviewed		